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The British Agency House in Malaysia and Nigeria: Evolving Strategy in Commodity Trade

By

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Declaration

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

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Abstract

The thesis compares the business activities of a particular type of British overseas trading company, the Agency House, in two former British colonies, Malaysia and Nigeria. The thesis charts the commercial and political circumstances that heralded the arrival of the Agency House in each colony and the companies' rapid business growth thereafter while trading under the relative security offered by the British Empire. The thesis then examines the firms' development in the aftermath of empire as the selected companies struggled to survive in independent nations. Here, each of the London-domiciled boards faced a very different set of commercial conditions overseas, which were largely shaped by politics both home and abroad. Each firm was forced into tough decisions on trade strategy to safeguard interests overseas and thereafter placate an increasingly hostile host regime. After independence, the Agency House, as obvious and symbolic reminders of imperialism, became targets for punitive legislation aimed at redressing imbalances in the private sector and achieving the repatriation of corporate wealth in each of the selected nations.

The commodity trade was the basis for the development of the Agency House in each former colony. In Malaysia, a British-financed estate industry spread rapidly in response to escalating demand for rubber at the start of the 20th century. By the 1950s, for a number of reasons, the estate industry moved from rubber to oil palm cultivation, which quickly became a catalyst for a huge expansion in the plantation industry, the evidence of which is etched across the nation's topography today. In Nigeria, the production of (although not trade in) commodities always remained the remit of indigenes only which was enshrined in law, both colonial and nationalist, despite the lobbying by resident British traders. This was one of a number of factors examined in the thesis to understand why trade there could not keep pace with the British estate development taking place in Malaysia and despite Nigeria's long history in the export of commodities like palm oil. Examining the commodity trade of each nation helps to explain the growth of the British Agency House to become commercial powerhouses in each nation. The thesis therefore looks at the strategy of each firm, the trade they were engaged in and thereafter how each attempted to survive when confronted by increasingly hostile nationalist legislation. It will also explain why only one of the Agency Houses examined here continues to trade today.

Preface and Acknowledgements

My personal motivation for this study lies with a maternal grandfather who served in Malaya during the Second World War alongside West African troops, and, although he rarely talked about his experiences, he spoke warmly about the local people he encountered in Malaya and the African troops he fought alongside. In 2010, I submitted an essay that examined the remarkable economic growth of Malaysia after independence from Britain. The returned paper bore a remark: ‘but why did Malaysia develop faster than peer nations after independence?’ This got me thinking more deeply about the nation and particularly the British overseas companies that Malaysia played host to both before and after independence. What became of those companies? To complete a comparative study, Nigeria was chosen for a number of reasons. After all, Nigeria, like Malaysia, was a former colony and dominated by British overseas firms at independence with a primary resource export industry that provided much of the nation’s revenue. Despite these similarities, Nigeria struggled in the aftermath of independence both politically and economically regardless of the commercial contribution of those once resident British companies. What therefore became of the companies that previously controlled so much of that all-important commodity trade? To answer this question, a number of British overseas companies were selected to examine and compare their commercial histories within host nations. Of course, other non-business factors also determined the fate of British companies, not least the pressure exerted on foreign interests by nationalist regimes. At its most general, whereas Malaysia benefitted economically and commercially because of that prolonged British business presence, Nigeria did not. This comparative analysis of the British Agency House therefore offers a take on business survival in an era of unique trading conditions in two former colonies.

This study was made possible by an award from the Economic and Social Research Council. Furthermore, I have been fortunate to be supported by two wonderful supervisors, Ray Stokes and Sumita Mukherjee, to whom I am completely indebted for their constant guidance and immeasurable patience. I also offer my thanks to the many academics who responded to my early enquiries when first formulating this research proposal back in 2010, most particularly, Nick White of Liverpool John Moores University. This brings me to a number of elderly gentlemen who agreed to be interviewed, without whose input, this thesis would be neither colourful nor insightful. I met David Griffin and Tony Thomas, formerly of the United Africa Company (UAC), several times in London and their recollections of working for that company in Nigeria were invaluable. Leslie Davidson, former chairman of Unilever's Plantations Group, recounted not only his time working on Unilever's oil palm estates in West Africa and Malaysia but also supplied me with many useful papers from his own personal business archives. He also presented me a book he wrote, *East of Kinabalu*, a humorous take on estate life in Sabah in the 1960s. Perhaps he will not mind me repeating a comment made about that book by a former colleague, 'and you know, some of it is even true!' My gratitude also goes to Rod MacKenzie, who gave so much of his time in order to get the Malaysian palm oil story accurate. He corrected many of my misconceptions including a number of those found in archives. Brian Gray, Douglas Gold and Richard Lindesay were knowledgeable and enthusiastic interviewees at a meeting of the Tropical Growers Association in London. Again, their insights on the Malaysian plantation industry feature throughout. David Hopkinson, previously of M&G and Harrisons, covered investment matters in the plantation sector. I also had the honour of spending time with Marc Gent, the last British chairman of Guthries, shortly before he sadly passed away. My thanks also go out to Hereward Corley who arrived late in the day to assist me with the science behind the emergence of the oil palm. Raja Alias, a long serving chairman of FELDA, gave a sincere account from the Malaysian perspective. During the course of my studies I visited a number of archives and special thanks goes to Diane Backhouse of Unilever, who spent many hours retrieving and copying papers on my behalf. Finally, I am most deeply indebted to Henry Barlow whom I met and interviewed in Kuala Lumpur. He remains active in the plantation industry of Malaysia today and currently sits on the board of Sime Darby. In subsequent months, he freely gave much of his time to rectifying storyline errors and correcting schoolboy grammar.

Finally, I would just like to add that any errors in the thesis are completely down to yours truly.

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List of Abbreviations

A&E	African and Eastern Trade Corporation
AGM	Annual General Meeting
AMEG	Africa and Middle East Group
BARBEAL	Barlow Boustead Estates Agency Sendirian Berhad
Barlows	Thomas Barlow & Brother
CFAO	Compagnie Française de l'Afrique Occidentale
CIC	Capital Issues Committee (Nigeria)
CPO	Crude Palm Oil
FELDA	Federal Land Development Authority
FFB	Fresh Fruit Bunch
FIC	Foreign Investment Committee
FSC	Free Standing Company
GBO	GB Olivants
GDP	Gross Domestic Product
Guthries	The Guthrie Corporation
Harrisons	Harrisons & Crosfield
HME	Harrisons Malaysian Estates Ltd.
HMPB	Harrisons Malaysian Plantations Berhad
KLSE	Kuala Lumpur Stock Exchange
LBA	Licensed Buying Agents (Nigeria)
LEGCO	Legislative Council (Nigeria)
LSE	London Stock Exchange
MNLA	Malayan National Liberation Army
MOPGC	Malaysian Oil Palm Growers' Council
MPOB	Malaysian Palm Oil Board
NEP	New Economic Policy
NEPD	Nigerian Enterprises Promotion Decree
PAMOL	Unipamol Malaysia Sendirian Berhad (Subsidiary of Unilever)
PNB	Permodalan Nasional Berhad
RGA	Rubber Growers Association
SCOA	Société Commerciale de L'Ouest Africaine
UAC	United Africa Company
UAC (I)	United Africa Company (International)
UAC (N)	United Africa Company of Nigeria Ltd.
VA	Harrisons Visiting Agent
VE	Harrisons Visiting Engineer

Chapter 1: Introduction

The Basis for Comparative Business Analysis

The purpose of this thesis is to conduct a comparative study into some of the most prominent British overseas trading firms to have operated in the former colonies of Malaysia and Nigeria. These companies became known as Agency Houses. In the case of Nigeria, the company selected was the United Africa Company (UAC), a Unilever subsidiary which dominated the commodity trade there during the colonial period and for a considerable amount of time after independence. For Malaysia, where the trade was more diversified, a number of companies were selected, including: Thomas Barlow & Brother (Barlows), the Guthrie Corporation (Guthries) and Harrisons & Crosfield (Harrisons). Only the last of those, Harrisons, trades today, albeit in a new company name, Elements plc. That said, every one of these firms was, for much of the 20th century, extremely successful and therefore powerful businesses within host nations. Moreover, most of their profits were generated by the trade in commodities. As such, all companies selected made key contributions within the private sector of each host nation both during and after British rule.

Existing research on the activities of the British Agency House in former British colonies before and after independence is rather sparse despite the historical commercial importance of these firms in trade development overseas. It is therefore a much neglected area of study in the history of business. This thesis seeks to make a contribution to this area by looking at the Agency House business model, the evolution of this type of firm overseas and its trading strategy during imperialist times and, later, within independent nations. Moreover, by undertaking a comparative study of the companies named above, the thesis offers insights into the development of a global trade in commodities in the 20th century, a trade that has been crucial to both Malaysia and Nigeria as well as a number of other developing countries. Throughout, attention will be given to evolving business strategies as these firms sought to survive in a demanding and ever-changing (and eventually deteriorating) overseas trading environment. All in all, then, this study can therefore make an important contribution to the historiography of firm.

The aims of this introduction are to examine the extant literature in the main subject areas covered in the thesis and to identify the various research resources accessed. The time-span of the study covers the early years of British trade in Malaysia and Nigeria in the late 19th and early 20th centuries, moving chronologically through business expansion and company consolidation under direct rule and then to the fate of the firms after independence, when the commercial dominance of the Agency House overseas was eroded by the legislation introduced in host nations. Ultimately, the thesis also argues that the business legacy of the Agency House, and of imperialist modes of production more generally, that were established under British rule continue to have a significant impact on the economies of Malaysia and Nigeria to this day.

The Background: British Business in a Colonial Context

Even at its height, British rule was never homogenous across the Empire and differed between and within colonies. In Nigeria, the east and west of the country were governed directly by the British Colonial Office, whereas the northern region was largely left to the traditional rule of local emirs and tribal chiefs. For that reason, British companies rarely ventured north and had a minimal commercial presence there. What business there was in that area was conducted through indigenous intermediaries. A similar state of affairs occurred initially on the Malayan Peninsula where most British interests were clustered around the major ports. However, the sovereignty of the Malay emirs was gradually eroded and replaced by more explicit British rule which was motivated and underpinned by profits from rubber production and other extractive industries like tin mines. As a rule of thumb, the movement of a British commercial presence inland was followed by more direct rule.

British investment in Nigeria, Malaya and other colonies was undertaken in large part by what are known as Free Standing Companies (FSCs), firms headquartered and with owners/stockholders based in Britain, but with all operations overseas. These companies have been the focus of some research, for instance by Mira Wilkins and Kevin Tennant.[1] To carry out their trade activity overseas, FSCs relied crucially on the services of another set of organisations that have not been the

[1] Mira Wilkins, 'The Free Standing Company 1870-1914: an important type of British foreign direct investment', *Economic History Review,* 41 (1988), pp. 259-82. Kevin Tennant, *Owned, monitored, but not always controlled: understanding the success and failure of Scottish Free-Standing Companies, 1862-1910,* (unpublished PhD Thesis, London School of Economics and Political Science, August 2009).

subject of systematic scholarly research to date, that is the Agency House, a unique commercial organisation that offered all manner of support services, including estate management, insurance and various other ancillary services, in support of a rapidly emerging commodity trade.

Malaysia and Nigeria played host to some of the most successful British overseas traders and Agency Houses of the 20th century. The firms selected for this study are among that group, and all became hugely influential overseas due to a business presence that was built under British rule. These companies were particularly prominent in agriculture and the commodity trade, which at its height supplied the industrialised world with essential primary resources such as rubber and palm oil. The export of those commodities formed one segment of a lucrative shipping trade route that, in turn, involved the export of British manufactured goods to the colonies and many other overseas markets. Under the protection of the British Empire, that trade generated vast profits for company and investor alike.

Both nations, as commodity producers, were therefore destinations for British exports and for the investment capital required to finance the various commercial ventures prosecuted in-country. As a result, Malaysia and Nigeria experienced rapid commercial development and increased commodity production in the early 20th century. Of course, opening up these nations to international trade also rendered them vulnerable to market price volatility and potential financial crisis. Some commodities were more vulnerable than others, none more so than the rubber produced on the Malayan estates. That market volatility, in turn, paved the way for the Agency House. Despite intermittent trading setbacks caused by war and other crises, British Agency Houses in general proved financially robust and able to resist external pressures. Each of the selected companies was therefore able to expand holdings through steady asset accumulation in their respective colonies. Indeed, such was the commercial power of the Agency House at independence that the economies of Malaysia and Nigeria were essentially shackled to imperialist modes of production. That is, each economy depended heavily on the export of commodities for finance, not least in relation to paying for imports of manufactured goods. Breaking that dependency meant tackling the business hegemony of the British Agency House. The manner in which each regime pursued that goal forms a major thread to this thesis. For the Agency House, on the other hand, the manner by which company directors in London responded to political pressure and overseas legislation and regulation ultimately determined business survival. It was here that those London based directors earned their stripes. It was obvious during the course of this study that one company managed that challenge better than all others. Before we get to that, though, it is first important to explain more fully why the thesis places an emphasis on the commodity trade, and in particular, trade in rubber and palm oil.

The Agency House and the Commodity Trade

Despite geographical distance and cultural differences between Malaysia and Nigeria, there have been a number of similarities between these nations, particularly in trade. Of course, operating within the British Empire was an obvious parallel, as was the rapid commercial development that took place to facilitate the extraction of primary resources. Each colony was resource rich and viewed by Westminster in the 19th century as a supplier of raw materials to a rapidly industrialising Britain. British companies seized control of that trade within the colonies, and both Malaysia and Nigeria played host to a huge number of FSCs. The FSC could not operate independently, however, and that is where the Agency House, offering a suite of professional services, came to the fore. It was a position aided and abetted at times by the local British colonial representatives. That subsequent business dominance attained by the Agency House continued to hold sway until independence for Malaysia and Nigeria.

If business development is held to be a prerequisite for economic growth, then how each of the nationalist regimes chose to regulate the private sector after independence was crucially important. It was certainly true of Malaysia and Nigeria as government policy there had ramifications for that all important commodity trade. That policy also impacted on inward investment flows and thereby any proposed plans for business and economic development. Therefore the actions of government immediately after independence along with the subsequent treatment of established British business interests can help explain why Malaysia and Nigeria have occupied opposite ends of the economic development league table for a number of years. That gulf was confirmed by the World Bank's 'ease of doing business' index in 2015 which placed Malaysia at position ‘18’ and Nigeria well down at position ‘170’.[2] The same organisation more recently categorised Malaysia an ‘upper-middle class’ nation and reported elsewhere ‘Nigeria’s economic performance since Independence [in 1960] has been decidedly unimpressive’.[3] This thesis examines the role of British Agency Houses and their evolving business strategies in these developments.

British Company Activity Overseas

To understand the historic performance of any nation’s economy fully, it is typically necessary to assess the contribution of certain companies and their role in key sectors. That statement certainly holds true for both Malaysia and Nigeria, where several British firms steadily emerged to dominate a number of important sectors. As the British Empire spread wider, the number of FSCs pursuing business opportunity overseas increased throughout the 19th century.[4] These various enterprises were vehicles for the spread of British capital, culture, goods, people and skills. In London, the City’s financial houses were conduits through which investments were funnelled overseas to finance those far-flung ventures. In a short time, the British trade footprint had spread across the globe, protected and supported by a state bent on global power. As such, the objectives of Westminster and that of the overseas trader often overlapped. This was made evident in an 1890 speech to parliament, when Prime Minister Lord Salisbury declared that for Africa ‘the interests of this country are the interests of the Royal Niger Company’.[5] In those days, the state could rightly be thought of as a sort of super-joint stock company, or, more simply, ‘Great Britain Ltd’.[6] Among those British overseas possessions was

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[2] See World Bank’s ‘*Doing Business 2015: Going beyond Efficiency’,* <http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Chapters/DB15-Report-Overview.pdf>, p. 4, (accessed, 12 November 2015).

[3] For Malaysia, Zainal Aznam and Yusof Deepak Bhattasali, ‘Economic Growth and Development in Malaysia: Policy Making and Leadership’, Commission of Growth and Development working paper, no. 27, p. 1, see <http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Working_Paper_27_Economic_Growth_Development_Malaysia_Policy_Making_Leadership.pdf>, (accessed 25 August 2015). For Nigeria, Milton A Iyoha, ‘Leadership, Policy Making, and Economic Growth in African Countries: The Case of Nigeria’, Commission on Growth and Development working paper, no. 17. Washington, DC: World Bank, p. 1, see <http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Vol3_Leadership_Growth_Ch6_Leadership_Policy_Making_Economic_Growth_African_Countries_Case_Nigeria.pdf>, (accessed 25 August 2015).

[4] Mira Wilkins, ‘The Free Standing Company’, pp. 259-82.

[5] Andrew Roberts, *Salisbury: Victorian Titan,* (London: Weidenfeld and Nicolson, 1999), p. 529.

[6] C G Wrigley, ‘Empire and Commerce in Africa’, *Journal of Commonwealth Political Studies,* 7 (1969), p. 248.

the Malayan Peninsula and, in West Africa, the lands that would eventually form Nigeria. In both regions, ports were quickly established to accommodate and attract further British trade. As more FSCs brought their investment to bear on the two regions, they soon became part of a *Pax Britannica* that would emerge to dominate global trade for many years to come.

At the end of the 19th century, that thirst for global power and trade supremacy was still very much alive within Westminster and the company boardroom. It was, however, a partnership and shared vision that did not survive the 20th century. When the near bankrupt British economy staggered into a new world order in 1945, it was clear that this ‘old boy’ public and private alliance was a thing of the past as rapid withdrawal from empire ensued. Despite this, many British companies stayed on in Malaysia and Nigeria and, for a time, continued to dominate trade in each nation. That commercial dominance would eventually come to an end. The question was when? First though, we step back to name the companies that are selected by this thesis and their respective host nations.

The British Overseas Company and the Host Nation

So what became of those British Agency Houses and numerous FSCs, those agents of trade and Empire? In Malaysia and Nigeria, a few firms were so prominent that their individual business histories serve as a template for the private-sector development that took place in those nations. Certainly, rates of attrition for the overseas firm were always high and company structures within colonies were constantly being streamlined by merger and acquisition activities. In Malaya all of the selected Agency Houses in this thesis began life as family-owned concerns. Guthries and Harrisons had, however, become publicly listed firms by the early 20th century, whereas Barlows stayed firmly under family control. It was a time of unprecedented demand for rubber, an industry in which all Agency Houses invested heavily. As market prices soared, huge profits were reaped by investors. With time, many standalone estate operators came under the *de facto* control of their biggest shareholders, the Agency Houses. Development of the estate industry in Malaysia was thereafter directed from the London boardrooms of those same Agency Houses. For Nigeria, the United Africa Company emerged as the leading commercial enterprise in West Africa by far while in Malaysia a number of Agency Houses came to the fore. Despite the similar areas of trade in which the companies participated, however, there was no single blueprint for the corporate command structure of these firms. UAC, a subsidiary of Unilever, was formed in 1929 albeit with a largely autonomous set of directors and, in time, separate headquarters from the parent company in London. That relatively autarchic status saw UAC management rapidly expand company interests across West Africa (and beyond).

By the outbreak of the Second World War, then, a few British overseas firms had risen to the top of the business pile in both Malaysia and Nigeria. To achieve that level of success, access to capital was crucial which in itself explains why the management of Harrisons and Guthries had decided to float each company on the London Stock Exchange. For any competing firm, indigenous or otherwise, such access to finance was a barrier to challenging what quickly became an established hierarchy of British companies in the colonies. If we fast forward to independence, very little had changed in each nation, and the all-important trade in commodities was still dominated by the Agency Houses. Therefore, the spending plans of a new nationalist government were heavily dependent on a trade still under the control of the British. Each regime had difficult policy choices to make. That challenge came to a head in the 1970s when nationalist regimes demanded the transfer of equity from British companies to indigenous people and public bodies. Such was the scale of profits being generated year on year by an increasingly lucrative commodity trade, especially in Malaysia, that the host nation was keen to share in the wealth. This was resisted in London, and companies thereafter sought to redeploy business out of host nations. It was a struggle between host nation and the London board of directors that would continue until the early 1980s. As such, that trade in commodities, both in Malaysia and Nigeria, can act as a prism through which to examine the interplay between British business development and government policy in each nation. It is here that the discipline of business history can offer an insight into company strategy during an era of political change across a rapidly contracting British Empire.

The Host Nation Perspective

In her study of British business in West Africa post 1945, historian Stephanie Decker argued that, when decolonisation was in full swing, British firms in Nigeria and

Ghana sought to curry favour with a nationalist regime by aligning commercial strategy more closely to local development policy. Decker claimed that a 'Development Consensus' emerged between authorities and resident British firms.[7] This appraisal of the commercial landscape in West Africa has much merit and can be equally applied to the Malaysian private sector at that time. As independence approached, the colonial body increasingly courted British overseas companies to invest locally as a means to placate loud demands in the colonies themselves for development. What is more, as independence neared, Westminster also came to view economic and social development in the colonies as essential to fend off the more extreme aspects of nationalism. It could also provide breathing space for authorities to manoeuvre pro-British politicians to power.[8] Of course, and not incidentally, achieving those goals would also prolong the flow of commodities on favourable terms to British industry. This neo-colonialist plan was recognised by the historian Harry Magdoff who noted that 'both the economic and political structures of the former colonies are well suited to the perpetuation of economic dependence along with political independence'.[9] In this regard, the Agency Houses in both nations were able to consolidate commercial holdings and power across the private sector. It lent weight to an argument that the British firm had managed to trap a host nation within a colonial mode of production.[10] Therefore, at independence, it can be argued along the lines of Magdoff that, although political independence had been achieved, real economic freedom for Malaysia and Nigeria was still some way off.

The fact that much of the development that took place in Malaysia and Nigeria immediately prior to independence was funded by private capital lends added credence to the thesis that the British government and the nation's business

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[7]Stephanie Decker, *Building up Goodwill: British Business, Development and Economic Nationalism in Ghana and Nigeria, 1945-1977*, (unpublished PhD Thesis, University of Liverpool, 2006). Decker states 'International business defended its controversial presence in decolonizing countries by arguing its case in terms of promoting development', p. 16.

[8] In Malaysia, the first Prime Minister, Tunku Abdul Rahman, was acknowledged as an anglophile who graduated from the University of Cambridge in 1924. In Nigeria, the nation's first and only Prime Minister, Abubakar Tafawa Balewa, spent a year at the University of London in 1944. Nigeria's first president, Dr Nnamdi Azikewe, was also held to be pro-British. See John E. Flint, '"Managing Nationalism": the Colonial Office and Nnamdi Azikewe, 1932-43, in Robert D King and Robin Kilson, *The Statecraft of British Imperialism, Essays in honour of Wm. Roger Louis,* (London: Frank Cass, 1999), pp. 143-58.

[9] Harry Magdoff, *Imperialism without Colonies,* (New York: Monthly Review Press, 2003), p. 112.

[10] One particularly forthright text which addresses post-colonial business in Nigeria is Toyin Falola (ed.), *Britain and Nigeria: Exploitation or Development,* (New Jersey: Zed Books, 1987), pp. 1-272.

interests hatched a neo-colonial conspiracy in the run-up to independence. Moreover, many perceived British friendly politicians did assume power at independence. However, as this thesis will demonstrate, the relationship between the British overseas firm and the colonial regime was not as formidable as the 'Development Consensus' implied. This became particularly apparent during the British decolonisation programme when local business leaders were rarely, if ever, consulted.[11] That very point was underscored by those interviewed by this thesis.[12] After independence, however, sentiment in favour of the former power began to deteriorate, and thereafter the stability and determination of the newly independent government determined the strength and type of legislation aimed at reducing those substantial British company holdings. That choice of legislation was tempered by the fact that each new wave of indigenization put forward by government incurred costs and ultimately produced different outcomes. In the end, the task of tackling British commercial strength was managed more effectively by the government of Malaysia, a point that frequently surfaces in the latter chapters of this thesis.

Despite the political disengagement that was taking place at nation-state level, however, the perpetuation of a British business presence in Malaysia after independence was, on the whole, a factor that encouraged further investment in the new country's estate industry. That was not the case in Nigeria where, despite similar levels of economic dependency on commodity exports and of British company dominance, an estate industry was never possible. The outright ban on foreign-owned land tenure ultimately shaped agricultural production across the nation and eventually caused it to stagnate. Therefore, the developments that took place within the commodity trade in each nation were, to a large extent, products of the relationship that existed between British firms operating in country and the host regime. Before we develop this argument further, however, we need to explore themes identified in the existing scholarly literature on the subject, which underpins this area of research.

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[11] Sarah Stockwell, 'Trade, Empire, and the Fiscal Context of Imperial Business during Decolonization', *Economic History Review,* 57 (2004), and Nicholas J White, 'the Business and the Politics of Decolonization: the British experience in the 20th century', *Economic History Review,* 53 (2000). The historians argue that there is little evidence to indicate an alliance between the British Government and directors of overseas companies.

[12] All of those interviewed commented on the growing gulf that emerged between local colonial figures and resident company representatives in Malaysia and Nigeria which extended to London.

Literature Review

As the largest empire the world has witnessed, the British Empire from the late 19th century until the Second World War has, unsurprisingly, been the focus of extensive scholarly and popular inquiry. However, the complexities of British imperialism have led to a situation where, in the words of imperial historian Paul Hayes, that 'to write on imperial issues is immediately to enter a world of controversy'.[13] Moreover, the historian David Fieldhouse warned that the subject is 'beyond the competence of any one man: there can no longer be a complete imperial historian'.[14] In large part, the complexities and breadth of the subject derive from disparities in rule from colony to colony, which in turn influenced the type and conduct of trade pursued by overseas companies. In part for this reason, this thesis uses comparative analysis to assess the business histories of a number of British firms that operated in Malaysia and Nigeria prior to and following independence.

But another reason for focusing on companies active in the British colonies and the independent states that succeeded them stems from the paucity of existing scholarly research in the area, in particular that which examines overseas business in the post-colonial era. The imperial historian Ronald Robinson highlighted this in general terms when he wrote that 'the paradox of imperialism after empire raised questions for the historian that are not usually asked, because they are too difficult to answer'.[15] Sarah Stockwell has confirmed Robinson's claim with regard to business, writing in 2000 that 'there has been little detailed investigation of the activities of British business during the end of empire'.[16] Despite this, some pioneering works have emerged in recent years. In 2004, for instance, Nicholas White wrote about the challenges faced by the Malaysian government when attempting to secure ownership of foreign-owned assets like the estates. White's book and related papers predominantly look at political aspects, weighing up the question of whether the persistence of British commercial dominance constituted neo-colonialism, which in

[13] Paul Hayes, 'British Foreign Policy and the Influence of the Empire, 1870-1920, *Journal of Imperial and Commonwealth History,* 12 (1984), p. 102.
[14] David Fieldhouse, 'Can Humpty-Dumpty be put together again? Imperial History in the 1980s', in Holland, *Imperialism and Decolonization,* p. 22.
[15] Ronald Robinson, 'Imperial Theory and the Question of Imperialism after Empire', in Holland, *Imperialism and Decolonisation,* p. 43.
[16] Sarah Stockwell, *the Business of Decolonisation: British Business Strategies in the Gold Coast,* (Oxford: OUP, 2000), p. 4.

turn provoked government to adopt a more aggressive approach to achieve economic nationalism.[17] White does not, though, examine the trading activities of the Agency House and the strategy each employed to combat legislation. This is a critical point as the trade and strategy of the British firms in Malaysia contrasted with that of UAC in Nigeria. For this nation, recent and ground-breaking research by Stephanie Decker tells a very different story. Decker claimed that resident British companies, UAC included, sought to 'build up goodwill' with local authorities by realigning operations to complement the development goals of an independent host nation.[18] In the end, that strategy did not pay off for UAC as the Nigerian government, weighed down by a balance of payments deficit, sought to placate a restless populace by targeting foreign companies. Again, Decker does not dwell on the specifics of UAC trade, something that is at the centre of a considerable part of the analysis put forward in this thesis.

Other business historians, however, have indeed examined company strategy and structure in the colonial era. In 1988, for instance, Mira Wilkins, writing about the spread of British overseas trade during the 19th century, first coined the term 'Free Standing Company' (FSC).[19] A huge number of those FSCs fanned out across the British Empire (and elsewhere) to exploit a multitude of commercial opportunities. Many ventures were in the extractive industries, and it was the FSCs that first established the European estate culture in Malaysia and elsewhere. The financial capital provided to those ventures came from privileged elite that Koebner labelled 'financial parasites, [namely] investors, dealers or financiers'. Those investors were encouraged to invest overseas 'because the home market is bound to render diminishing returns'.[20] Indeed Fieldhouse estimated between the years 1862 and 1893, the flow of capital overseas rose from £144 million to a staggering £1698 million.[21] Both Malaysia and Nigeria were the destinations for a number of FSCs and the regions subsequently benefitted from that outward flow of British capital.

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[17] Nicholas J White, *British Business in Post-Colonial Malaysia: Neo-colonialism or disengagement?,* (Oxon: RoutledgeCurzon, 2004).
[18] Decker, *Building up Goodwill,* p.16.
[19] Mira Wilkins, 'The Free Standing Company', pp. 259-82.
[20] Richard Koebner, 'The Concept of Economic Imperialism', *Economic History Review,* 2 (1949), p. 28.
[21] David Fieldhouse, 'Imperialism: An Historiographical Revision', *Economic History Review,* 14 (1961), p. 190.

As the commercial landscape of each colony matured, the Agency House business model emerged prominently. Geoffrey Jones outlined the main difference between the two types of overseas British companies: the FSC was 'heavily specialized in trading in a single commodity... [Whereas] many merchant houses [Agency Houses] had taken on a "hybrid" character by 1870'.[22] It was that multi-faceted approach to business that allowed a number of Agency Houses to emerge and eventually to dominate trade in particular colonies. Jones highlighted this when he wrote that 'real management control from Britain was exercised over the free-standing companies in these groups'.[23] Chapman confirmed this when stating that 'it was the Agency House that wielded real power and influence over foreign commerce'.[24] One reason for this was that FSCs which operated their own estates were engaged in an often lucrative, but very risky, business, because of the volatility of markets for commodities. Agency Houses, on the other hand, managed to survive by consistently spreading risk through the measured purchase of shares in profitable local firms or FSCs while at the same time providing professional services to those same commercial clients. In fact, Jones asserted that, in time, it was the Agency Houses that became true multinationals.[25] Again, that is a notable claim particularly given the surprisingly few papers that have been written on this type of company. Therefore, this study of their emergence and development can contribute to the existing historiography of the firm. Moreover, this study is structured around firms engaged in the commodity trade, and it also draws upon this literature.

Commodities and Business Development

Sven Beckert, in his study of cotton, argued that 'by focusing on one specific commodity...we are able to see connections between peoples and places that would remain on the margins'.[26] This study focuses on two closely related commodities, rubber and palm oil. Both provide an opportunity to view trade development in Malaysia and Nigeria from the vantage point of the British Agency House. Rubber,

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[22] Geoffrey Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries,* (Oxford: OUP, 2000), p. 43.
[23] Jones, *Merchants to Multinationals,* p. 343.
[24] Stanley D Chapman, *Merchant Enterprise in Britain: from the Industrial Revolution to World War I,* (Cambridge: CUP, 1992), pp. 1-339.
[25] Jones, *Merchants to Multinationals,* pp. 1-404.
[26] Sven Beckert, *Empire of Cotton: A Global History,* (New York: Alfred A Knopf, 2014), p. xxii.

both natural and synthetic, has been extensively researched by a number of historians, most notably Barlow,[27] and there has been a long tradition of cultivating it in Malaysia. In contrast, the oil palm, with its origins in West Africa, has been the subject of limited scholarly inquiry, this despite the fact that palm oil was a crucial part of the Nigerian economy through 1945 and beyond and that British-owned estates in Malaysia began moving from rubber to palm oil production in a big way in the 1950s.

Literature on palm oil in Nigeria is virtually non-existent. On the other hand, there is some scholarship on palm oil in Malaysia. Historian Pletcher is one example from this literature, although his paper on the Malaysian palm oil industry claims that 'much of the credit for this [palm oil industry] success lies with the government of Malaysia for its active investment in palm oil production'.[28] This is certainly true insofar as development of any industry (especially in a developing country) cannot take place without the support of government. Pletcher, though, makes no mention at all of the investment capital and research effort of British companies, which kick-started palm oil production on the estates of Malaysia. Similarly, Jaya Gopal has written about the emergence of a palm oil refinery industry in Malaysia,[29] but also omitted any mention of British company involvement. This is more than a little surprising given that it was Lever Brothers (Unilever) that built the nation's very first refinery outside Kuala Lumpur in the early 1950's.[30] Susan Martin, on the other hand, does acknowledge the dominance of the British Agency House in her research on the Danish company, United Plantations, although her focus on a company from another nation naturally entails limited attention to the full story of the British role.[31] The point to take from existing literature on palm oil in Malaysia is that the

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[27] Colin Barlow, *The Natural Rubber Industry: Its Development, Technology and Economy in Malaysia,* (Oxford: OUP, 1978), p.28, Also P. T. Bauer, *The Rubber Industry: a Study in Competition and Monopoly,* (London: Longman's Green, 1948), pp. 1-404. Also see James Hagan and Andrew Wells, 'the British and rubber in Malaya, c1890-1940', *Research Online,* (2005), pp. 143-150. For price related material see Frederick R. Hoisington, 'Commodities: High Finance in Rubber', *Financial Analysts Journal,* 16 (1960), pp. 105-16.
[28] James Pletcher, 'Regulation with Growth: the Political Economy of Palm Oil in Malaysia', *World Development,* 19 (1991), pp. 626-7.
[29] Jaya Gopal, 'the Development of Malaysia's Palm Oil Refining Industry: Obstacles, Policy and Performance', unpublished thesis, University of London, January 2001.
[30] Leslie Davidson, 'Agricultural Globalisation and the Impact on Malaysia's Oil Palm Industry', *International Planters Conference: 16-18 June 2003,* p. 7.
[31] Susan Martin, *the UP Saga,* (NIAS Press, 2004), pp. 1-356.

contribution of the British estate operator and the Agency Houses that exercised *de facto* control over the industry have been much neglected. This thesis addresses this neglect, examining the developments that took place in Malaysia alongside the commodity's relative demise in Nigeria, which can reveal much about those Agency Houses that dominated the trade in each nation before and after independence.

The Companies

Of the companies dealt with here, Peter Pugh wrote a company-sponsored history of Harrisons in 1990.[32] This book did not, however, attempt to examine the firm's trading strategy with prevailing Malaysian (and colonial) legislation and indeed largely glossed over the challenges encountered in the 1970s by British firms, especially those in the estate industry. In the case of Nigeria, Fieldhouse wrote extensively on UAC, but, much like Pugh, mainly looked at the company from a London perspective.[33] Furthermore, Charles Wilson, who has researched Unilever intensively, made frequent reference to UAC because of the subsidiary's frequent financial importance to the parent company.[34] Again, however, Wilson wrote little about the type of trade conducted by UAC in Nigeria and the impact that subsequent government legislation had on company strategy and profits. Each of these company biographies are, at times, referred to in the thesis but the content does not always apply well to the comparative issues dealt with here. Therefore, the earlier noted literature by Wilkins and Jones has more relevance to this study and particularly to the different and evolving British company structures in each colony.

Decolonisation and Neo-colonialism

In early imperialism, Burroughs contended, 'the [British] state used its authority to create a framework for commercial activity and to define the terms of development.'[35] The companies selected here certainly benefited at times from that state-sponsored policy in Malaysia and Nigeria. After the Second World War though,

[32] Peter Pugh et al, *Great Enterprise: a History of Harrisons & Crosfield,* (Frome: Butler & Tanner, 1990).
[33] David Fieldhouse, *Merchant Capital and Economic Decolonisation: the United Africa Company, 1929-1987,* (Oxford: Clarendon Press, 1994).
[34] Charles Wilson, *the History of Unilever: A Study in Economic Growth and Social Change,* (London: Cassell & Company Ltd., 1968).
[35] Peter Burroughs, 'The Business of Empire', in *Managing the Business of Empire: Essays in honour of David Fieldhouse,* (London: Frank Cass, 1998), p. 17.

Darwin concluded that ‘the influence which the British hoped to exercise over their former colonies faded away as their economic fortunes declined’.[36] Hence the position of the British company overseas became more fragile, particularly when nationalist politicians assumed power. Darwin went on to write that ‘the British had come to recognise that major changes would have to be made in their empire to meet local aspirations.’[37] This fits with Decker’s point that resident British companies, like UAC, actively sought to align trade more closely to the development goals of government at independence. That said, the political influence of distant Westminster was still apparent at this time. On that subject, Holland wrote that ‘wherever national elections were integrated into the colonial system, the British could make or break African politicians’.[38] Gallagher and Robinson agreed that the British imposition of ‘responsible government, far from being a separatist device, was simply a change from direct to indirect methods of maintaining British interests’.[39] That indirect power was evident in Malaysia where a number of English educated politicians took office at independence. They were simply more amenable to British interests which included the maintenance of a private sector *status quo*. Of course, for nationalists, the meddling of a former power alongside lingering British business dominance smacked of neo-colonialism. On that point, a number of Nigerian historians have accused Britain of what they claim was the sustained exploitation of their nation which was perpetrated by British firms.[40] It is a controversial claim and one that lays blame for any subsequent economic frailties in Nigeria firmly at the door of the former power. There is no hint of shared responsibility, a subject addressed by this thesis. Interestingly in contrast, Malaysian historians have not openly accused Britain of neo-colonialism. Therefore, it could be argued that, for Malaysia, that prolonged British business presence is reflected on more positively. In contrast, Nigeria’s consistent drive to rid itself of British influence, including in the form of the British firms that stayed behind, in fact, implies that Britain ultimately had

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[36] John Darwin, ‘British Decolonization since 1945: A pattern or a puzzle? *Journal of Imperial and Commonwealth History,* 12 (1984), p. 191.
[37] Darwin, ‘British Decolonization since 1945’, p. 206.
[38] R F Holland, ‘the Imperial Factor in British Strategies from Attlee to Macmillan, 1945-63’, in Holland, *Imperialism and Decolonization*, p. 174.
[39] Gallagher and Robinson, ‘The Imperialism of Free Trade’, p. 4.
[40] Falola, *Britain and Nigeria,* pp. 1-272.

a negative impact on private sector development. These arguments are explored more fully in this thesis.

That said, immediately at independence, in each nation British firms continued to flourish and encountered few challenges, commercially or politically. However, they were now most certainly on their own and could no longer count on support from Westminster, a point made by a number of historians. Stockwell wrote that during the decolonisation programme 'few companies, even where they enjoyed easy access to the corridors of power, were of sufficient importance to the British economy to persuade policy makers to go out on a limb for them'.[41] What is more, Holland claimed that during decolonisation 'the only time-frame which mattered was that in Whitehall'.[42] There is nothing in company archives to suggest that business leaders were ever consulted by the Whitehall mandarins during decolonisation. Leading on from that, White added that an alleged London metropolitan alliance was never as robust as the historians Cain and Hopkins claimed in their South East England centred 'Gentlemanly Capitalism' theory.[43] White countered, arguing that 'the business and the politics of decolonisation were rarely, if ever, reconciled'.[44] Jones supported that claim when he wrote that 'British colonial officials were frequently critical of the merchant firms, and certainly did not protect them against competitors.'[45] That view pointed to the thorny topic, social class, which, it was claimed by those interviewed, could be more pronounced in an overseas setting. White picked up on this, stating that in Malaysia 'both socially and ideologically, the colonial business elite remained separate from the official political elite which oversaw development and decolonisation overseas'.[46] Therefore, it can be argued that far from feeling aggrieved at the departure of the colonial regime, British directors in London were well advanced with plans to carve out a lasting commercial future overseas. This is what Napolitano et al., referred to as the 'search for an

[41] Stockwell, 'Trade, Empire and the Fiscal Context', p. 142.
[42] Holland, 'the Imperial Factor', p. 166.
[43] Cain, P J., and A G Hopkins, *British Imperialism: 1688-2000,* (Pearson Education Ltd., Oxon, 2002). Here the authors present the concept of 'Gentlemanly Capitalism', which was perpetuated by 'the City' during the decolonisation period, p. 620.
[44] White, 'Business and Politics of Decolonization', p. 563.
[45] Jones, *Merchants to Multinationals*, p. 351.
[46] White, 'Business and Politics of Decolonization', p. 563.

integrated framework of business longevity'.[47] Just how long that longevity would be tolerated by government in Malaysia and Nigeria, again, is a subject tackled here.

Napolitano et al. also wrote that the reasons behind a firm's longevity are 'most often loosely defined as a company's capability to adjust to changes in its operating environment'.[48] Certainly, those stay-behind British companies faced a unique set of business conditions in host nations and most obviously after decolonisation. It was perhaps inevitable that the days of the British Agency House were numbered, and indeed, by the 1970s, external political pressure was mounting and beginning to take a toll on trade. It would, though, be a long drawn out and economically painful divorce for all the parties involved. That was largely because British firms were deeply-rooted in both nations and within economies that had been constructed around them. Therefore, the manner in which each regime tackled that British commercial dominance features strongly in the thesis.

In Malaysia, White asserted that 'British banks, trading firms, shipping companies and enterprises engaged in primary and secondary production were fused together in a maze of interlocking directorships and cross-shareholdings'.[49] White here appeared to be pointing a finger at the Agency House and its complex approach to business. White though also offered evidence to support the claim that the Malaysian government was more amenable to foreign business than peer nations when he related that on the eve of independence 'the Minister of Commerce and Industry...publicly went out of his way to allay the fears of those foreign investors anxious about their stake in Malaya'.[50] Of course, that position changed over time but it did provide security to London boardrooms demonstrated by the long-term investment strategies those Agency Houses embarked upon at independence. Moreover, it was obvious that some firms were better managed than others and demonstrated the corporate dexterity to resist government pressure for many years. This again fits with the above point made by Napolitano et al. about 'a company's

[47] Maria Rosaria Napolitano, et al., 'In search of an integrated framework of business longevity', *Business History,* 57 (2015), pp. 955-69.
[48] Ibid, p. 962.
[49] White, 'Business and Politics of Decolonization', p. 555.
[50] Nicholas J White, 'British Business Groups and the Early Years of Malayan/Malaysian Independence, 1957-65', *Asia Pacific Business Review,* 7 (2000), p. 155.

capability to adjust to changes in its operating environment'.[51] That capability was evident at director level in Harrisons and ultimately ensured business survival when trading conditions deteriorated in Malaysia. It was not so obvious at board level in the other companies operating in Malaysia that are dealt with here.

Finally, turning specifically to British business activity in Nigeria, historical literature is again thin on the ground save for the aforementioned Unilever books by Wilson and Fieldhouse. However, the 2006 thesis by Stephanie Decker did open a chapter on a much neglected area of research. Other papers by Decker have expanded on the interaction that took place between the British firm and Nigerian authorities in a post-colonial setting.[52] Decker noted that despite the number of British firms operating in Nigeria, by 1940, the strength of UAC was so overwhelming that all others traded in its shadow. Moreover, Obuagu argued that after independence 'the common theme that ran through the debates of most Nigerian leaders was the freeing of the country from economic colonialism and all elements of neo-colonialism.'[53] This was a state of affairs certainly borne out in interviews and the archival material accessed for this study. Therefore, given the size and reach of UAC at its height, the business history of that company ultimately reflects the trading conditions faced by all British firms in Nigeria before and after independence.

Sources

As indicated in this introduction, most historical studies on Britain's relationship with former colonies draw on material from various government archives and other official sources or publications. As a result, those studies have focussed on the political aspects of imperialism in order to offer an explanation for the rise and fall of the British Empire. Given the claim in much of this literature that the spread of British imperialism was driven by trade, it is surprising that so little has been written about those companies that prosecuted and dominated trade overseas and indeed their subsequent activities after British rule. It is claimed here that a thorough

[51] Napolitano, 'business longevity', p 962.

[52] Decker, *Building up Goodwill*, also Decker, 'Postcolonial Transitions in Africa: Decolonization in West Africa and present day South Africa', *Journal of Management Studies,* 47 (2010), pp. 791-813.

[53] Chibuzo S A Obuagu, 'the Nigerian Indigenization Policy: Nationalism or Pragmatism', *African Affairs,* 82 (1983), p. 246.

examination of the trade those companies engaged in can reveal much about the disparate economic performances of each of these former British colonies. It can also indicate why few companies survived in their respective host nations all that long after British rule. Therefore, undertaking the study from a business perspective entailed using the material found in company archives of those firms that dominated trade in Malaysia and Nigeria. That is supplemented, insofar as possible, (due to access restrictions, or other factors including security concerns in Nigeria), with material from public records both in the UK and overseas. Finally, the personal testimonies of a number of former company employees are included to add a very human context to the material found in the various archives. Let us look in more detail at each of these sets of sources.

Business Archives

As the thesis takes the form of a comparative business study, the archives of the selected companies were visited on a number of occasions. For Malaysia the records of Harrisons & Crosfield are held at the Metropolitan Archives in London. This company was a leading exponent of the Agency House business model that takes centre stage in this thesis. Although Harrisons possessed an extremely diversified business portfolio, most company profits were generated by its estate interests, primarily in Malaysia. Harrisons alongside Guthries were leading exponents of British commercial strength in Malaysia and a demonstration of competitive advantage of firms operating within the protection and security of an imperialist order. Sadly, very little of the Guthries archives has survived, although a number of accounting ledgers and some correspondence produced by the Singapore offices are housed in the School of Oriental and African Studies in London.[54] Some of the data contained in those papers was used to help explain the rise of the British Agency House in Malaysia and, from a trade perspective, to trace the adoption of oil palm as a major estate grown crop. Another British Agency House that was extremely active in the Malaysian plantation sector was the family-owned Thomas Barlow and Brother. The Barlow archives are held in the Centre of South Asian

[54] The author did ask the last company chairman, Marcus Gent, what had happened to the company archives after the Malaysian takeover (SOAS hold only the Singapore office papers). He 'did not have a clue.' 1 November 2013.

Studies at the University of Cambridge and were well maintained and illuminating.[55] In Kuala Lumpur, a visit to the Malaysian Palm Oil Council was also very useful and some of the statistics on palm production unearthed there are included in this study.

For Nigeria, the vast Unilever archives are housed at Port Sunlight on the Wirral. The collection is looked after by a full-time staff and includes papers that detail the trading activities of UAC and the Plantations Group. Therefore, four separate visits were made to this collection. At the times of visits, the Plantations Group papers were being catalogued, and therefore not all were available. This was not an issue as Leslie Davidson, a former chairman of the Plantations Group, willingly supplied a number of papers relevant to this study. Furthermore, Tony Thomas, previously of UAC, also supplied some of his own corporate papers that revealed Unilever policy and activities in the international arms of its business. The UAC archives provided a rich source of germane material and revealed a great deal of supplementary detail on private sector development in Nigeria particularly after independence. Overall, the UAC archives (as well as those of the Plantations Group and parent company, Unilever) had much to offer this study.

Public Records

The public records visited included the extensive Colonial Office collection at Kew from which material on official British policy was gleaned on both Malaysia and Nigeria prior to decolonisation. A visit to Calabar in Nigeria to examine a large public collection was cancelled prior to travel when it was found that viewing would be severely limited (4 hours a day), and that the papers themselves were not catalogued, but instead stored randomly in boxes from floor to ceiling. Security issues were also a concern at that time, and therefore that visit was cancelled. An ancillary visit to the Nigerian Embassy in London proved largely unproductive. In retrospect, the Nigerian records were of minor importance as very little new British commercial activity and, therefore, investment took place after independence apart from that made by UAC to support existing trade. A number of papers held in Kew involved commodity Marketing Boards that were established under British rule.

[55] In a supplementary question Henry Barlow was asked why the Barlow archives were in such a good state. He explained that he himself had footed the bill to employ an archivist to put the records in order. 6 August 2013.

These offered a better insight into the commodity trade as it developed in Nigeria. A research trip to Malaysia was undertaken and included visits to the National Archives in Kuala Lumpur. Again material on the British company was sparse although there were a number of papers relating to the New Economic Policy introduced by government in the 1970s to curtail foreign business dominance. Of the other public records visited, the Bodleian Library in Rhodes House at the University of Oxford is home to the Fabian Colonial Bureau records. This organisation was a political think tank that supplied information and analysis and counted in its membership over two hundred Members of Parliament to the Labour Government in 1945. One of those was Arthur Creech-Jones, a former chairman of the Fabian Society who subsequently became the Secretary of State for the Colonies in 1946. The Fabian papers were very informative on British government policy during the decolonisation era and also made frequent reference to Westminster's indifference to British overseas firms after the Second World War. That last observation was also evident in comments made on the minute sheets of Colonial Office files held at Kew.

<u>Oral Histories</u>

It was decided at an early stage to interview a number of expatriate employees of the companies selected to add a first-hand and human version of events to supplement the official commentary. Thankfully ten former employees of Agency Houses volunteered to participate, and, interestingly, their personal testimonies often challenged the official version of events. Therefore, the personal recollections of these elderly gentlemen were invaluable and each revealed an in-depth recollection of events that impacted directly on the trade of those companies they were employed by. It became obvious that those who had worked in Malaysia retained an emotional attachment to that nation and a deep pride in the contribution made by British companies to the estate industry. In contrast, those who had worked in Nigeria did not display that same level of attachment or sense of achievement for reasons that will become clear in the thesis. A previous and long serving chairman of the Malaysian Federal Land Development Authority (FELDA) also kindly agreed to participate through oral testimony and provided an honest and indigenous take on the contribution of British business to the estate industry. An approach was also made to interview a former Nigerian Head of State and previous chairman of UAC (Nigeria). However, this was complicated by personal business interests, and, heeding the advice of others, the approach was abandoned at an early stage. A complete list of those interviewed and brief biographies is in Appendix A.

At interview, a set number of questions were prepared and sent to the interviewees in advance; however, much of the dialogue took a semi-structured approach which allowed respondents to digress and divulge other facts they thought relevant. Decker commented that, at a particular interview she conducted, 'the social age [distance?] between us, defined through age, gender and colour, was noticeable and on occasion humorously commented upon'.[56] This was not the case during these interviews (possibly because the age gap was not as wide in my case), and indeed, the respondents always appeared at ease and happy to tell their side of the story. There was the danger that, as agents of past events, respondents would view roles and that of the companies they worked for through rose-tinted spectacles. That may have been the case however, two gentlemen are still engaged as advisors to companies running estates in South East Asia and are therefore very much in tune with the current events there (MacKenzie and Barlow in Malaysia). They were all admirably pragmatic about the politics and nationalism that have guided government policy in each nation. There was also a question mark on age and memory. On that point, the oral historian Lynn Abrams, remarked that:

> Yet, research into the relationship between ageing and memory demonstrates that in fact memory functions do not necessarily deteriorate with age as long as the subject remains healthy.[57]

In fact all of those interviewed, some of whom now in their 80s, had a remarkable recollection of events. Indeed, one gentleman who cited his failing memory displayed an astonishing recollection of names and facts from over 50 years ago. The interviews collectively highlighted that, for the Malaysian government, the struggle lay not with expatriate businessmen in country, but rather with the company directors sat in boardrooms in London. In fact, many of those British expatriates were subsequently employed by Malaysian companies. On the other hand, in Nigeria, a high level of animosity towards the British was experienced locally by company employees. In any case, throughout the thesis, personal accounts of

[56] Decker, *Building up Goodwill,* p. 55.
[57] Lynn Abrams, *Oral History Theory,* (Oxon: Routledge, 2010), p. 90.

events that took place decades ago are consistently evaluated, with critique offered where considered necessary.

Scope of Study

The thesis is a comparative business study that examines the activities of British companies in Malaysia and Nigeria. The story begins at the height of British imperialism in the 19th century and thereafter takes a chronological approach to understand the company structures that emerged in each colony and particularly the role of each firm in the commodity trade. The thesis is presented in two parts: Part I covers the period under British rule while Part II focuses on each nation after independence. Those eras act as bookends in an evolving geo-political context that impacted directly on business overseas as Britain's global influence waxed and waned. One constant for both countries dealt with here, from a business perspective, was the Agency House. The specific conditions that gave rise to the emergence of these unique firms is reflective of and a consequence of British company activity overseas. The thesis starts with Nigeria where vast numbers of British firms were whittled down to a point where in the late 1930s, only one, UAC, dominated trade across the wider region of West Africa. It is therefore UAC that features prominently in the story about business development in Nigeria.

The next chapters look at Malaysia and the origins of British trade in that region. Similar to Nigeria, a huge number of FSCs set up shop at the main ports but soon moved inland to establish outposts and exploit the resource wealth of the land. The spectacular advances made by the rubber industry were largely due to the adoption of a European-style estate culture. That industry prepared the ground for business development thereafter in Malaysia. The circumstances surrounding the emergence of the Agency House are covered here to fully account for the company formation that took place and what became a dominant role in the plantation industry. The opening chapters therefore explore early British trade and set the scene for the comparative company analysis that follows.

The second half of the thesis focuses on the contrasting trading conditions that the selected companies encountered overseas after British rule as nationalism began to surface more prominently. At independence, the political leaders of each appeared to intimate an amenable approach to British companies operating locally. In Nigeria, UAC therefore continued with its acquisition programme, although even at a fairly early stage, management was considering a move out of the commodity trade despite the huge profits posted in previous years. In Malaysia, the research reveals how the Agency House continued to make inroads into estate control as many standalone operators succumbed to market forces and sold up. The thesis thereafter moves to the 1970s, examining a marked step up in government legislation designed to reduce the business stake of foreign firms. In that decade, economic nationalism came to the fore mainly as a result of the spiralling profits posted year on year by the Agency Houses. The legislation which that growing economic nationalism generated was intended to achieve a redistribution of commercial and corporate wealth but varied between nations by design and application. The competency and indeed stability of government proved crucial in this regard which, in turn, determined flows of inward investment. It is no accident that the commodity trade continues to thrive in Malaysia whereas, in Nigeria, it is no longer the force it once was under British rule. The thesis, therefore, examines the interplay between the government and directors of British firms to explain what became of the Agency House and, thereafter, to assess their legacy. By analysing and comparing company archival material, some of the business-related reasons explaining the disparate economic performances of Malaysia and Nigeria in the post-independence period will emerge. But the thesis will also examine the commercial and political reasons that helped bring about the demise of the British Agency House overseas.

Part I: pre-Independence

Chapter 2: Nigeria – the United Africa Company

Introduction

This chapter looks at the early British trade presence in West Africa and the creation of a market built around the export of commodities to Europe and slaves across the Atlantic. As the West African market matured (and slavery was abolished), a growing number of merchant ships arrived carrying all manner of manufactured goods from a rapidly industrialising Britain. It became an efficient sea route as those same merchant ships were loaded with commodities, like pepper and palm oil, for return legs. The initial inroads by traders moved swiftly on towards the imposition of direct British rule, which had an even greater impact on trade across the region by the late 19th century. This chapter examines an era of intense merger and acquisition activity that followed in the wake of direct British rule and culminated by the late 1920s in the domination of much of trade in Nigeria by one British company. That company was United Africa Company, or UAC, a firm that followed a very different business model from peer British firms operating in Nigeria at that time: UAC was a subsidiary of the soap maker, Unilever,[58] formed in 1929, and itself the product of a merger of two of the largest British traders in the region to that point, the Niger Company and the African & Eastern Trade Corporation (A&E). The subsidiary's core business was purchasing commodities, mainly Nigerian palm oil, and shipping them back to Unilever's soap factory at Port Sunlight on the Wirral, but UAC quickly expanded commercial interests in West Africa far beyond the commodity trade to become Unilever's most profitable subsidiary in the 1950s.

This chapter therefore begins with some background on 'the Coast' trade, as it was called, to understand the commercial and company structures that emerged under British rule. The study dwells on the rise of UAC to become the 'Business Octopus of Africa'.[59] It is argued that this company's trading history on 'the Coast' underscored the challenges that all foreign firms faced in Nigeria both during and after British rule. Furthermore, the chapter considers the ramifications of policies

[58] Unilever was actually formed in 1930 at the merger of Lever Brothers and the Dutch company Margarine Unie. The name is used here because UAC was formed only a year before and for convenience.

[59] During the early 1960s UAC was labelled a business 'Octopus' first quoted by Nduka Eze, 'UAC: an Octopus and how it treats its African Staff', *WAP,* 18 February 1949, former Secretary of the Amalgamated Union of the United Africa Company African Workers.

introduced under British rule and then by the nationalist regime. Pulling these themes together can help to explain not only historical weaknesses within the Nigerian private sector, but also why UAC no longer trades as an overseas company today. First though, we need to look at how British trade on 'the Coast' began?

The Origins of International Trade in Nigeria

> "Beware, beware the Bight of Benin,
> Whence few come out, though many go in"[60]

Merchant ships from Britain first arrived off the coast of Old Calabar and the other West African ports around 1668 to trade in slaves and teeth (Ivory Tusks).[61] The Bight of Benin, mentioned in the nautical verse above is a bay in the Gulf of Guinea off the coast of Nigeria and was notorious as a major embarkation port for West African slaves. That trade was always facilitated by local intermediaries who delivered the human cargo down the River Niger to the ships sitting offshore. Even then, the inland part of the trade was left to locals as the Nigerian interior has never been hospitable to Europeans. The practice of conducting trade through local middlemen survived well into the 20th century.

When the slave trade eventually ended, the ships continued to arrive from Britain off the west coast of Africa to land finished goods from home factories for the local market.[62] On the return leg, they carried commodities, most notably palm oil, but also (in lesser quantities) wax, gum and red pepper. In 1833, 13,345 tonnes of West African palm oil was offloaded from ships docked at British ports; of that total around 5,000 tonnes came from Calabar in Nigeria.[63] The commodity's importance to the Nigerian economy was already apparent. The trade attracted the attention of

[60] An old nautical rhyme from the late 18th century coined at a time when British merchants first started plying trade (off the Slave Coast) in West Africa. The Bight of Benin is a region stretching some 400 miles and covering the outlet of the River Niger. It is believed the shanty reflected the mortality rate of Europeans due to malaria and other ailments in the region. For further information see Philip McCutcheon, *Beware, beware the Bight of Benin,* (Worthing: Littlehampton Book Services Ltd., 1974).
[61] Elizabeth Donnan, *Documents Illustrative of the History of the Slave Trade to America,* (Washington: Carnegie Institution, 1932), p.193.
[62] Although the British government made slave trading illegal in 1808, other nations, including France, Spain, Portugal and the Netherlands, continued to trade in slaves until 1830. See, A J H Latham, *Old Calabar 1600-1891: the Impact of the International Economy upon a Traditional Society*, (Oxford: Clarendon Press, 1973), pp.20-1 and 73. The main imports into Nigeria at the end of the 19th century were textiles, bar iron, copper rods, hardware, guns, powder, salt and spirits.
[63] Latham, *Old Calabar,* p. 66, and p. 73.

other European nations, and, as a consequence, the number of ships arriving off West Africa steadily increased.[64] Trade in commodities continued to lure merchantmen to the mouth of the River Niger, most notably those from France.[65] In response, the British traders closed ranks in an effort to combat competition, supported politically and militarily by Westminster. Throughout the 19th century, the British politicians vociferously promoted any trade overseas that competed directly with the other European powers. Therefore, with the protection of the Royal Navy to fall back on, the British merchants began to dominate trade in the region. In time, permanent trading posts were established which lured a number of companies to provide the services necessary for trading and shipping operations taking place far from Britain. Those companies were Agency Houses. Soon the Nigerian private sector, in which the Agency House played a key role, was well established, globally connected and largely run by the British.

The 1861 Treaty of Cession saw Britain annex the port of Lagos and herald a further stage in trade development on 'the Coast'. At the 1885 Treaty of Berlin, Britain officially took control of large parts of West Africa including much of the land that would later form Nigeria.[66] Subsequently, the northern Nigerian lands came under indirect British rule as traders scrambled to exploit the wider region's resource wealth.[67] That said, while British rule was generally an enabling factor for overseas companies, in some colonies and particular areas of trade it could also be obstructive to business. One such obstruction was the policy of Trusteeship introduced by colonial authorities in Nigeria. This was, broadly speaking, the protection of indigenous rights over land from the perceived ills of foreign commercial exploitation. The subject of foreign land tenure was revisited and debated at length in both Houses of Parliament at the start of the 20th century. The result was the

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[64] Latham, *Old Calabar,* p. 18. Here the author charts the rise in ship numbers arriving in West Africa from British ports. Between the years 1795 and 1804, 1,099 ships left Liverpool for West Africa alone.
[65] Helen Chapin Metz (ed.), *Nigeria: a Country Study,* (Washington: GPO for the Library of Congress, 1991), pp. 1-20. Palm oil exports alone were reputedly worth £1 million a year by 1840. See <http://countrystudies.us/nigeria/12.htm>, (accessed, 25 August 2015). See under Commodity Trade Section.
[66] It was at this conference that European powers set guidelines to regulate trade on the African continent. See Kwame Anthony Appiah and Henry Louis Gates Jr., (eds.), *Encyclopaedia of Africa,* (Oxford: OUP, 2010), pp. 177, 297, 316, and for Nigeria specifically p. 553.
[67] Michael Crowder, 'Indirect Rule – French and British Style', *Africa: Journal of the International African Institute,* 34 (1964), p. 197/8. Colonial rule in Northern Nigeria became a model of indirect rule as government officials adopted the policy of 'Trusteeship', that of protecting indigenous institutions and land.

Land Promulgation Act of 1907, instigated by Lord Lugard, the first Governor General of Nigeria, whereupon all residual land in the north was nationalised to prevent accumulation by European settlers.[68] That policy was later bolstered by the Land and Native Rights Proclamation of 1910, and, in 1912, a West African Lands Committee was formed to uphold it.[69] These government directives remained in force for the entirety of British rule, despite regular lobbying to change them in later years by resident firms like UAC. In practice, colonial authorities allowed and indeed encouraged British commercial participation at every stage of the commodity trade except that of production which, of course, required land. That ban on foreign land tenure had lasting consequences for Nigerian agriculture and, for the purposes of this thesis, most clearly and prominently for palm oil production.

The colonial legislation left parts of the commodity trade prone to abuse by Nigerian intermediaries, who operated between farmer and trader.[70] In later years, Lord Lugard spoke disparagingly about such middlemen and accused them of exploiting the farmers. Indeed, eventually, Lugard seemed to undergo a change of heart because he later said:

> The problem is to avoid the evils of the concessionaire, while ensuring the proper and adequate development of natural resources, and the example of the European-owned plantation will assist in its solution.[71]

Despite Lugard's changed views on land tenure, the principle of Trusteeship remained. Moreover, the British council of indigenous rulers supported that policy while, in 1926, the colonial office restated its position in the *West Africa* magazine:

> The Colonial Office and West African governments are pledged up to the eyes to respect the right of the African races to the land in British West Africa, and the people there need not have the faintest fear that the policy will be changed at the bidding of anybody.[72]

[68] M J Watts and T J Bassett, 'Crisis and Change in African Agriculture: A Comparative Study of the Ivory Coast and Nigeria', *African Studies Review,* 28 (1985), p. 6.
[69] W J Reader, *Unilever: a Short History,* (London: W S Cowell Ltd, 1960), p. 23.
[70] UAC 1/9/1/4/1/5/2, UAC Corporate Planning Department: Nigeria – Visit Reports. There are various visit reports in the archives. Those from 1957, when UAC was reviewing its role in the commodity trade, draw attention to abuses in the trade carried out by the local indigenous intermediaries.
[71] Lord Frederick J D Lugard, *the Dual Mandate in British Tropical Africa,* (London: Routledge, 1922), p. 487.
[72] *West Africa,* (London, 1926), p. 199. A weekly magazine published in London from 1917-2005.

In spite of the veto on foreign land ownership, some British companies were able to tailor their trade strategies around colonial policy better than others.

The Formation of UAC

In 1879, George Goldie was appointed British colonial administrator for West Africa. Three years after his petition for Royal Charter status had been turned down, Goldie bought out the assets of an existing trading firm in the region, the United African Company (not to be confused with UAC, the United Africa Company, formed in 1929), and established the National African Company. In 1886, Westminster finally granted Goldie the Royal Charter he desired, and thereafter he renamed the company the Royal Niger Company Chartered & Ltd. Westminster tasked Goldie to advance British interests in West Africa whereupon he secured 500,000 square miles of land for the Crown.[73] In 1897, the land was amalgamated to existing British possessions to form Nigeria.[74] Just two years later, Goldie's coveted Royal Charter was revoked by a British government keen to appease the French. On 1 January 1900, the land holdings of the Niger Company and all administrative duties passed to the Crown. Nonetheless, a significant British trade presence had been established, and, as such, imports to the colony valued at £1m by the end of the 19th century had risen to £16m in 1925. 71 per cent of those imports came from Britain.[75] In return, Nigeria supplied British factories with raw materials, again most notably palm oil. In fact, over eighty percent of Nigeria's oil palm, some 100,000 tonnes, was shipped to Britain in 1913. The importance of this commodity in terms of revenue to the colony was obvious, not least because it accounted for 57 per cent of all exports.[76] As

[73] See John E Flint, *Sir George Goldie and the making of Nigeria (West African History),* (Oxford: OUP, 1960), pp. 1-354. Also Wilson, *History of Unilever,*, pp. 250-1. Sir George Goldie (1846-1925), a British colonial administrator was the founder of a chartered company in 1886 which established British rule on the Niger River. Goldie was largely credited with opening up northern Nigeria to trade thereby forming an orderly and prosperous British protectorate. Details are taken from an entry in the Encyclopaedia Britannica.

[74] A H M Kirk-Greene, 'Who Coined the Name Nigeria', in James Coleman, *Nigeria: Background to Nationalism,* (University of California, 1963), p. 44. Nigeria, a wholly British creation, was named by Miss Flora Shaw on 8 January 1897. Miss Shaw later became wife to Lord Lugard, the region's colonial administrator.

[75] Sheila Smith, 'Colonialism in Economic Theory: the Experience of Nigeria', *Journal of Development Studies,* 15 (1979), p. 39.

[76] Lugard to Harcourt, 20 October 1914, CO 583/19; West Africa: Committee on Edible and Oil Producing Nuts and Seeds: Report (PP 1916, iv, Cd8247), p. 5. See also Susan Martin, *Palm Oil and Protest,* (Cambridge University Press, 1988), pp. 56-66. David Meredith, 'Government and the Decline of the Nigerian Oil-Palm Export Industry', 1919-1939, *Journal of African History,* 25 (1984), p. 312, Calculated from *the Statistical*

profits in trade to and from 'the Coast' continued to rise, competing British firms invested further in their buying network infrastructure to allow greater access to palm oil and other commodities produced by the colony.

Of the existing British trading companies at the turn of the twentieth century, the most prominent in West Africa were the Niger Company, the African Association (forerunner to African & Eastern), Alexander Miller, Brother & Company, the Anglo-Guinea Produce Company, GB Olivants (GBO) of Manchester and the Company of African Merchants. There were also two French firms operating in the Francophone regions, Compagnie Française de l'Afrique Occidentale (CFAO) and Société Commerciale de L'Ouest Africaine (SCOA). All were involved in the commodity trade. Because of Trusteeship, all commodity purchases were conducted through tribal chiefs or, more commonly, local buying agents, there being no direct access to the farmers. To monopolise downstream trade and price, British traders signed a pooling agreement to regulate the market.[77] At that time, Lever Brothers was expanding production at Port Sunlight and therefore needed to secure 'unassailable supplies of oil seeds'.[78] Lord Leverhulme knew that his soap products were vulnerable to the prices demanded for palm oil in West Africa. This troubled William Lever (Lord Leverhulme), and he subsequently avowed that his goal was to 'stop the existing producers of raw materials from holding him to ransom'.[79] In fact, Lever wanted to grow his own oil palm, preferably on estates in West Africa. However, the Trusteeship ban on land tenure forced Lever to pursue his estate ambitions in the distant Solomon Islands, but production never reached sufficient levels to satisfy factory consumption. Lever finally concluded that he must bypass the British trading firms in West Africa to avoid being 'held to ransom'. Therefore, in 1920, Lever paid what was considered to be the inflated price of £8 million for the entire shareholding of Goldie's Niger Company and, in doing so, secured access to an annual supply of

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Abstract for British Self-Governing Dominions, Colonies, Possessions and Protectorates in each year from 1903 to 1923, BPP 1926, xxviii, Cmd. 2738, p. 307.

[77] Wilson, *Unilever, Volume I*, p. 180.

[78] Reader, *Unilever,* p. 23.

[79] Reader, *Unilever,* p. 16.

100,000 tonnes of oil seed.[80] Tony Thomas, a former UAC employee, revealed his own take on Lever's actions:

> The Niger Company was bought by Lord Leverhulme as a defensive measure because he feared being held over a barrel by the other merchant firms in West Africa when purchasing raw materials for his soap and margarine factories. The [accompanying] purchase of what became Palm Line was also a defensive measure against outside shipping firms serving West Africa.[81]

It was a cash sale and, due to the soaring price of commodities at that time, it included a sizeable goodwill premium. Soon after the purchase, it was discovered that Lever had unwittingly taken on debts previously incurred by the Niger Company and, as a result, a banker's overdraft of around £2 million was due immediately. To complicate matters further, an unforeseen fall in oil prices placed Lever and his business in dire straits.[82] By early 1921, the debt was still unpaid and, with creditors threatening to serve a writ on Lever, Barclays Bank was finally persuaded to grant a bridging loan. It was, however, a close-run thing about which the Unilever historian Charles Wilson wrote that 'Liquidation [of Lever Brothers] would be the inevitable consequence', such was Lever's precarious financial standing at that time.[83] Intervention by Barclays came at a price, though, as Lever was forced to offer debenture stock as collateral security. It was, however, a reasonable price considering the alternative.

To counter this new trading giant, several of the remaining British merchants merged to form African & Eastern (A&E). There were just a handful of other sizeable European traders left: four British companies, the Niger Company (Lever Brothers), A&E, GBO and the Anglo-Guinea Produce Company; the Swiss African Trading Company; two German companies, G Gottschalk of Hamburg and Rosenblum; and the two aforementioned French firms, CFAO and SCOA. In 1921, the A&E board fought off a takeover bid by Lever, however the sustained volatility of commodity prices played into the soap-maker's hands. The onset of the 'Great Depression', which affected commodities before it affected other areas of the economy, brought a marked downturn in trade which destabilised A&E. And, although William Lever died

[80] Wilson, *Unilever: Volume I,* 250-2.
[81] Email response from Tony Thomas, 7 November 2015 regarding critique of final thesis paper.
[82] Roger Hutchinson, *the Soap Man: Lewis, Harris and Lord Leverhulme,* (Edinburgh: Birlinn Ltd., 2003), p. 161.
[83] Wilson, *Unilever, Volume I,* p. 257.

on 7 May 1925, his ambition to secure control of Nigerian palm oil supplies lived on in the new chairman, Francis D'Arcy Cooper.

The immediate challenge for Cooper, however, was that in the late 1920s, sales revenue from 'the Coast' was down. Overproduction of soap in Nigeria itself forced down prices there and put a squeeze on Lever Brothers' revenues in West Africa. Furthermore, the £2 million in debenture stock held by the Barclays Bank meant that dividends and other financial obligations were decimating all company profits. Fortunately for Lever Brothers, A&E was in a worse financial state due to the company's bloated share register. Cooper was aware of this and commented that '[shares in A&E] were heavily overbought'.[84] However, to the surprise of all, the board of A&E sacrificed the company's stock, which meant that the Niger Company could now be undercut by its competitor. To head that eventuality off, Cooper convened a meeting with the directors of A&E in January 1929 to discuss a business merger. That initial meeting turned into 'six weeks of bitterly fought bargaining'. Finally on 3 March 1929, agreement on a merger was reached and UAC was born.[85] The new company had a market capitalisation of £13 million and the combined assets of the two largest trading firms on 'the Coast' at its disposal. It was clear that the other European firms were now reduced to minor players on 'the Coast'. In that same year, Lever Brothers began the process of merger with Margarine Unie of the Netherlands to form Unilever, which was established in 1930.[86] UAC now was the subsidiary of—and had the backing of—a huge multinational. Trade on 'the Coast' thereafter was dominated by UAC as the company embarked upon a wide ranging acquisition programme. The chapter now looks at the growth and development of the UAC business on 'the Coast'.

The Early Years of UAC

The formation of UAC fulfilled a long-held goal of Lever: to own a supply chain of palm oil almost back to source. Moreover, bulk sea transport was also secured in the merger with A&E, and the shipping line was christened the Palm Line,

[84] Wilson, *Unilever, Volume I,* p. 304.
[85] Wilson, *Unilever, Volume I,* p. 305.
[86] Unilever, see <http://www.unilever.co.uk/aboutus/ourhistory/1920s/>, (accessed, 25 August 2015).

underscoring the significance of palm oil to UAC and Unilever. There was the added bonus of a few estates in Nigeria and the Cameroons established before the land ban became law. The fact that the authorities did not move to confiscate these estates probably gave UAC management some hope that the Land Act could possibly be overturned in the future. First on the agenda for the UAC board, however, was gaining majority control of the commodity trade. As such, in 1930, the Anglo-Guinea Produce Company was acquired. Unfortunately, there are no records that reveal the extent of the UAC share in the commodity trade at this time, however, one company paper from 1932 revealed that outstations in the Gold Coast processed around 40 per cent of the colony's cocoa in 1931.[87] That gave an indication of the order of magnitude of UAC's position in the colony's overall commodity trade. In 1931, UAC formed Nigerian Motors Ltd in Lagos and thereafter went into agency work which would become core business in later years.[88] Nigerian Motors was also the first associate company to be registered in Nigeria. However, all was not going smoothly at board level and in the first year most of the former A&E directors were culled. The board thereafter faced a major financial headache as the commodity trade began to suffer from a deepening global financial crisis.

In 1932, Unilever was forced to service outstanding UAC debt.[89] To reduce future liability, Unilever's Special Committee authorised the UAC board to raise capital independently and, if absolutely necessary, issue equity for the business. That move in itself was indicative of Unilever philosophy on managing subsidiaries: that of granting autonomy wherever necessary. Ultimately, Unilever's interest in its subsidiaries was purely financial, and, indeed, one former chairman remarked that 'firms are often compared to ships. Well, Unilever is not a ship, it is a fleet'.[90] In the spirit of that analogy, when UAC profits on the 'the Coast' recovered, which they soon did, the subsidiary became akin to a flag-ship within that Unilever fleet. In fact, the UAC board was steadily assembling its own fleet of associate companies on 'the

[87] UAC 2/20/1/2/3/1, UAC of Ghana Ltd. Correspondence on Cocoa Trade, Loose Note dated March 1932.
[88] Unilever Archives, UAC 1/4/2/2/1/5, Secretarial papers relating to the registration of UAC companies including Nigerian Motors Ltd.
[89] Wilson, *Unilever, Volume I,* p. 320. Unilever provided some £3.5 million in capital to UAC bringing parent share ownership to 80% of the subsidiary.
[90] Charles Wilson, *Unilever: 1945-1965, Challenge & Response in the Post-War Industrial Revolution,* (London: Cassell, 1968), p. 3.

Coast'. The subsidiary's ability to raise capital independently through the banks allowed the directors financial room to manoeuvre, and, by 1933, the Unilever emergency loan had been repaid in full.[91] Suitably emboldened, UAC swooped also in 1933 to buy GBO, a major competitor on 'the Coast'. In keeping with its parent firm's *modus operandi*, UAC afforded a large measure of autonomy to the existing GBO management. Perhaps more surprisingly, GBO was allowed to compete directly with UAC in some areas of trade. Thomas justified this as a means to avoid handing 'ammunition to critics who already resented UAC's dominance [in the region]'.[92] Thereafter, the grounds for retaining the GBO setup were two-fold. First, it was believed that customers loyal to GBO would be unwilling to switch their allegiance to UAC; and second, existing GBO employees would be happier working within the same management structure. This quite unique approach to business management is revisited in later chapters.

As the decade wore on, UAC business turnover on 'the Coast' increased. For the years 1935-7, the company reported profits of £1.1 million, £1.5 million and £2.3 million, respectively.[93] The board also continued to acquire other companies in the region. In 1936, UAC bought the Swiss African Trading Company and the German companies G Gottschalk and Rosenblum two years later. The board's wider geographical ambitions were demonstrated in the purchase of two British firms operating in East Africa, Gailey Roberts Ltd and Bullows & Roy Ltd.[94] Yet again, all acquisitions were conducted discreetly, particularly those of the German firms, and the existing management afforded a great deal of autonomy. By the end of the 1930s, UAC was by far the largest trading firm in the whole of Africa: the last remaining independent European firms on 'the Coast', John Holt, Paterson Zochonis, Marel ET Prom and, the two French companies, were all (and even taken together) much smaller than UAC. That overseas business itself was facilitated by a vast number of UAC staff sat in offices across Western Europe. Perhaps now the

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[91] Unilever Archives, UAC 1/1/1/3/11, Special Committee Treasury Statement, 16 February 1933.

[92] Interview with Tony Thomas, 6 July 2014. Also email response to question by author regarding the trading status of GBO, 21 May 2015.

[93] UAC 1/1/1/6/1 – 8, *UAC Director's Reports and Accounts: 1930-7,* Merchandise sales recorded a loss until 1935 whereas Produce recorded a trading profit for each year and by 1937, overall company profits stood at £2.337 million, over six times the figure for 1930.

[94] UAC 1/4/1/11/1/1-3, Secretary's Department: Company Acquisitions 1933-40.

directors of UAC thought their commercial strength strong enough to warrant an approach to colonial authorities to acquire land to develop estates in West Africa.

Still, although a major objective of the UAC board was to expand estate holdings in West Africa, the unwillingness of the British colonial regime to countenance foreign land tenure in Nigeria forced management to look elsewhere. In 1935, Unilever secured land in the Belgian Congo where, somewhat notoriously, the colonists were both more invasive and open to an estate culture. It was here that Unilever established several oil palm estates and tasked UAC to manage them. This again underscored parent company policy on overseas assets. Although Unilever's Special Committee was content to approve asset purchases overseas, the task of managing estates was well outside core competences. Therefore, the running of the Congo estates passed to UAC, leaving Unilever to focus on manufacturing. Those estates were later cited as demonstrations of progressive rural development by UAC when managers from the company were lobbying British colonial authorities for Nigerian land.[95] The company argued that the founding of an estate culture would attract investment, provide employment and generate wider economic benefits to the colony. Regardless of the merits in this argument, the British Governor of Nigeria ruled against company plans even for an oil-palm research station in 1939:

> [The proposal] may be immediately dismissed since introduction of the capitalist-owned plantation system is in conflict with the approved policy of government which is pledged in support of the peasant producer.[96]

Despite this, UAC continued to progress other parts of the business and, in 1938, company accounts revealed that capital employed stood at £19 million.[97] Unilever's thirst for raw materials remained unabated and was driven by the rising demand for cleaning products. Thus, by the end of the 1930s, the Palm Line was shipping 900,000 tonnes of palm oil each year to the UK, a rise of 200,000 tonnes on the figure for 1929.[98] The profit from that trade alone stood at over £1 million in 1939, of

[95] Unilever Archives (Plantations Group), UPG 1/1/11/3/1, papers on plantation development in Africa and colonial government policy.
[96] National Archives, Kew, Records of the Colonial Office, Commonwealth and Foreign and Commonwealth Offices, Empire Marketing Boards and various offices, CO 852/201/8, Bourdillon to Secretary of State, 7 Aug 1939.
[97] UAC 1/1/1/6/9, Summary of UAC Accounts: 1937-8.
[98] Reader, *Unilever,* p. 47.

which palm products accounted for more than half.[99] Moreover, the estates owned by the company in West Africa were beginning to produce results, although UAC revenue from the estates was negligible in these early years and made no impact on company profits mainly due to the depressed global markets, as Table 2.1 shows.

Table 2.1: UAC West African Plantations Financial Results for 1930–1939[100]

Financial Year Ending	Pre-Tax Profit/Loss) (£)	Financial Year Ending	Pre-Tax Profit/Loss) (£)
1930	(1,000)	**1935**	10,038
1931	(1,842)	**1936**	37,010
1932	(2,183)	**1937**	47,639
1933	(2,035)	**1938**	18,614
1934	3,112	**1939**	48,101

The table shows that from 1934, estate profits rose year on year although the figures only represented a fraction of overall UAC profits. In fact, the 1937 figure of £47,639 was just 0.2 per cent of total UAC profits for that year as general trading continued to deliver the lion's share of revenue.[101] Despite that, the rising profit trend from the estates motivated the board to again petition authorities for land in Nigeria.

Unfortunately, war intervened and any growth strategy on 'the Coast' was effectively halted when the British government commandeered all essential industrial production and support facilities. The ships of the Palm Line were requisitioned and familiar Unilever brands like Sunlight Soap were repackaged as standard government products. It was also then that the British government made the fateful decision to introduce a system to oversee mandatory contracts placed for some commodities in West Africa. To administer those purchases, marketing boards were

[99] UAC 1/1/1/6/11, Summary of UAC Accounts: 1939-40.
[100] UAC 1/1/1/6/1-10, figures extracted from UAC provisional profit and loss Accounts, 1930-9. These figures are for West African estate holdings only. The Congo estates reported directly to Brussels offices.
[101] UAC 1/1/1/6/8, figures extracted from UAC provisional profit and loss Accounts, 1937. General Trading (produce and merchandise) operations contributed the vast majority of profits at this time.

set up and run from London. Those boards would have a lasting and, ultimately, damaging impact on the Nigerian commodity trade.

The West African Produce Marketing Boards

In late 1939, the British Ministry of Food placed compulsory contracts to purchase the entire cocoa output of British West Africa. To administer those contracts, a Nigerian Produce Marketing Company was set up and run by civil servants from offices at Buckingham Gate in London.[102] Further contracts followed for palm oil, ground nuts and cotton. In effect, the marketing boards were a monopsony for a number of commodities grown in West Africa. At that time, UAC handled about 75 per cent of Nigerian palm oil and over half the cocoa and ground nut exports from the wider region.[103] That trade generated vast profit through downstream sales. The implementation of government contracts cut of those profits and UAC, like all British traders on 'the Coast', became Licensed Buying Agents (LBAs) for the British Ministry of Food. The issue for those companies was that the prices paid to them by the Marketing Boards were fixed below the market. This was compounded by the fact that all onward commodity sales were also conducted by the public body. Consumer nations like the USA were forced to buy direct from the Marketing Boards in London. As a result, the £1 million profit recorded by UAC from the trade in 1940 fell to £600,000 in 1941, and by 1945 the figure was just £270,000.[104] In the first two years of operation (1940-41), on the other hand, the marketing boards managed to generate $8.7 million (£3 million) in profit. This was primarily achieved by buying at below market price from LBAs and selling at a higher price to the USA and others.[105] That figure is an indication of the scale of lost revenue to UAC during the war. Despite this, the UAC board perhaps reassured themselves that the war and, not incidentally, the marketing boards would not last forever.

[102] UAC/1/2/3/11/1, the Nigerian Produce Marketing Company Ltd. was inaugurated in November 1939 and offices were at 5 Buckingham Gate, London SW1.
[103] UAC 1/2/3/2/8, UAC Administration Department: Nigerian Palm Oil Industry. Report on UAC palm oil exports (and other commodities) from Nigeria, 1939-44.
[104] UAC 1/1/1/6/11-16, figures extracted from UAC provisional profit and loss Accounts: 1940-5.
[105] Gavin Williams, 'Marketing without and with Marketing Boards: the origins of state marketing boards in Nigeria', *Review of African Political Economy,* 12 (2007), p. 4.

UAC – post War

Despite lost revenue during the war, UAC emerged in 1945 relatively intact and ready to resume a dominant trading position on 'the Coast'. The company's main business in the region then was, in order of fiscal importance:

- Produce and Merchandising Trade (Core)
- Ocean Shipping and River Transport (Nigeria, Gambia and the Congo)
- Timber Extraction
- Plantations (Oil Palm and Rubber)

UAC was very much an overseas Agency House and every bit a multinational despite that subsidiary status to Unilever. The 1946 accounts revealed that produce and merchandise sales alone amounted to £17.8 million which generated a net profit of £2.7 million.[106] At this time, however, it was merchandising and agency work that produced over 90% of those profits. Indeed, the company's overall trading infrastructure was vast and broken down geographically overseas. Table 2.2 gives an idea of the company's operations on 'the Coast' after the war.

Table 2.2: UAC Company Structure in West Africa circa 1946[107]

Colony	Designated Areas within a Colony	Number of Districts within each Colony
Nigeria	5	48
Sierra Leone	1	3
Gold Coast (Ghana)	5	27
Others	9	17

Although not obvious from the figures in the second column, the Nigerian market, with 48 districts, was the company's main focus in West Africa. This was confirmed in the 1946 accounts that reported over 60 per cent of staff overseas were stationed in Nigeria and around 70 per cent of company turnover generated there.[108]

The overall business on 'the Coast' was directed from London down to Regional Managers in each colony, to whom General Area and District Managers

[106] UAC 1/1/1/6/18, figures extracted from UAC provisional profit and loss Accounts for 1946.
[107] UAC 1/1/4/18, paper outlining UAC Trading set-up circa 1946, undated.
[108] UAC 1/1/1/6/17, UAC Directors' Reports and Accounts: 1946.

reported. Each district had an accounting centre and one or more wholesale outlets that supplied local stores. Each district branch forwarded monthly accounts to Area Managers, who collated returns and forwarded them on to head office in London where a staff of around 800 managed from afar. There were sub-branches in Liverpool (shipping and cargo – 120 staff), Manchester (Textiles and hardware – 200 staff) and in Western Europe, Hamburg (German Trade – 100 staff), Paris (trade in the French territories – 200 staff) and Brussels (Head Office of Huileries du Congo Belge – 80 staff).[109] Some of that staff was responsible for processing commodities. A much higher number were engaged in the sourcing of all manner of goods for an emerging West African market. Due to the skill levels required for this line of work, many employees in Europe were at managerial level. Therefore, UAC workforce consisted of a large pool of managers in Europe supporting expatriates on 'the Coast', with subordinate posts filled by local staff. At the top of the staff pyramid sat an Executive Committee of three managing directors that replicated Unilever's Special Committee. Thomas defended the top heaviness of UAC workforce thus:

> UAC head office was proportionally larger than that of Unilever because of the different nature of its business requiring buyers of goods from all over the globe, arranging insurance and shipment, and supervising 'the Coast' companies.[110]

However, that number and grade of staff in head office was only sustainable if trade on 'the Coast' held up. Even at this early stage, trade dependency in West Africa and particularly Nigeria was a cause for concern. Revenue generated by trading in commodities was always subject to the ebb and flow of global market prices. Furthermore, the demand for consumer goods in West Africa was itself reliant on local affluence. These two factors were interconnected as the wealth of the Nigerian economy and thereby its people were still largely dependent on revenue generated by commodity exports. If the commodity trade suffered, then so did the people, which in turn produced repercussions for that top-heavy UAC workforce in Europe. A measure of business diversification or redeployment out of West Africa may well have been prudent at this time, but booming trade on 'the Coast' perhaps coloured those decisions at home. It does, however, pose some questions about the

[109] UAC 1/1/6/20, paper detailing Staffing Numbers in UAC: 1945.
[110] Email response from Tony Thomas, 7 November 2015 regarding critique of final thesis paper.

proficiency of higher management at that time. These issues came back to haunt UAC in later years. In the meantime though, with trade on 'the Coast' buoyant, there appeared little to worry about. The first big challenge to company strategy, though, was to arrive in relation to the all-important commodity trade.

So it was that, to the utter dismay of the UAC directors, the newly elected Labour government in May 1945 decided to retain the marketing boards as a means to aid Britain's economic recovery. It was a clear indication that the post-war British economy would take precedence over all other considerations. The business interests of UAC and those of other firms overseas were therefore subordinate to British domestic economic policy. Furthermore, the British government justified retention of the boards as a way to protect the West African farmer from 'the ills of middlemen in an unregulated market'.[111] It is highly debatable whether this was a sound argument as board officials had no direct contact with the farmers they professed to protect. What is true is that the boards continued to manipulate the market and purchase price rarely, if ever, reflected real value. That effectively reduced the amount of cash filtering down to local Nigerians and elsewhere in West Africa. Board officials further argued that profits from onward sales would be banked and used exclusively to ensure market stabilisation. The vast profits were, in effect, an insurance pot for West African farmers. That made sense, as commodity prices were historically volatile. Despite the commendable intentions of the boards, however, those banked profits were used only once to compensate Nigerian farmers during the 1953/54 dry season. Then palm oil producers received a share of £6.9 million from a pot that remarkably then stood at £35 million.[112] There were no further recorded incidences of those funds being returned to Nigerian agriculture.[113]

Board officials also justified this apparent frugality by claiming that a lack of goods markets in rural locations meant that the Nigerian farmer would become cash saturated and then place them more vulnerable to the much maligned local

[111]Williams, 'Marketing Boards', p. 4.
[112] Gerald K Helleiner, 'The Fiscal Role of the Marketing Boards in Nigerian Economic Development, 1947-61', *Economic Journal,* 74 (1964), p. 584.
[113] FCBA, MSS British Empire S365, List 8 Box 53 File 2, and List 10 Box 83 File 1. Loose paper on Marketing Boards undated, p. 15 and pamphlet on Produce Marketing Boards by the Government of Nigeria dated 1962.

intermediaries (although officials did not indicate why or how this would happen). The officials, it would appear, thought that surplus cash would be hoarded under the floorboards of peasants' huts.[114] Funds were therefore withheld which retarded rural development and precluded real investment in agriculture. The marketing board system also contradicted the advertised goal to ensure that farmers received a fair price for produce. The historian Williams, who researched the accounts of the Cocoa Marketing Board, came to the damning conclusion that: 'Since their inceptions in 1940, Nigerian marketing boards have been used to serve various interests and purposes, hardly any of which have benefitted the producers'.[115]

UAC archival records reveal that company directors frequently lobbied board officials in London. One constant criticism was the practice of fixing commodity prices on an annual basis. UAC argued it was inconsistent with conditions on the ground as production fluctuated considerably in yield over the course of a year.[116] The board responded that fixed annual prices were needed to protect the farmer from dips in the market. Again, that was certainly true as a result of price volatility, but the marketing board always paid less than market price in any case for all purchases. It would appear that, despite the protestations of UAC management, the civil servants were simply unwilling to deviate from the official line. Papers in UAC archives also reveal that marketing board officials were extremely concerned that 'subversive elements in Nigeria would dearly love to get ammunition of this kind' should boards be viewed as 'imperialist exploitation'. One can only therefore conclude that the boards were retained, first and foremost, to support domestic economic policy in Britain. The claim that the boards 'protect[ed] the interests of colonial primary producers' is unconvincing.[117] What is true is that as long as the

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[114] D M Williams, 'West African Marketing Boards', *African Affairs,* 52 (1953), pp. 44-54. See p. 50 for a point on paying funds to producers. The argument was also addressed by Helleiner in 'Marketing Boards', pp. 584-5.
[115] Williams, 'Marketing Boards', p. 4.
[116]UAC 1/2/3/11/1, the Nigerian Produce Marketing Company Ltd was based at 5 Buckingham Gate, London. In correspondence between UAC and the Board, a letter by Frank Samuel Esq, dated 31 March 1950 responds to UAC concerns about pricing of the commodities groundnuts, palm oil and palm kernels.
[117] UAC 1/2/3/11/1, Nigerian Marketing Company Ltd, letter dated 31 March 1950. Here an official responds to concerns raised by UAC directors (after a luncheon at Unilever House) regarding the pricing system used by the boards (and other matters). Particularly pages 2 and 3 of the letter leave the company in no doubt that the board intends to hold to the official line and 'protect the interests of colonial primary producers'.

marketing boards were retained, UAC and other companies were unlikely to make any significant investment in the commodity trade on ‘the Coast’.

It would appear that a number of colonial officials were unhappy with the dominant trading presence that UAC held on ‘the Coast’, and therefore the decision to retain marketing boards was perhaps welcomed in some official circles. Fieldhouse quoted a Ministry of Food official who claimed that the introduction of marketing boards would mean that the company’s ‘power for evil is limited’.[118] That view dispels any notion that British authorities and company executives were in cahoots overseas. Clearly, the ‘old school tie’ pact was a thing of the past. Indeed, relations between the colonial office and business leaders were not as strong as Cain and Hopkins implied in their ‘Gentlemanly Capitalism’ thesis,[119] and certainly not after the Second World War. Moreover, the historian Maria Misra observed that ‘the [British] civil service [overseas] didn’t hobnob with the British businessman’.[120] The feeling was perhaps mutual as William Louis spoke of the ‘open contempt for civil servants’ held by business leaders during decolonisation.[121] It is therefore unsurprising that UAC grievances fell on deaf ears. For the company itself, however, the loss of downstream commodity trade weighed heavily in terms of revenue and was a major determining factor in future business strategy.

As previously mentioned, all British trading firms on ‘the Coast’ were contracted to the Ministry of Food and remunerated for produce collected. The commodity trade set-up run by UAC was vast and comprised of outstations, bulk oil storage facilities and the estates themselves. By the 1940s, the company operated five administrative centres in Lagos, Ibadan, Port Harcourt, Warri and Calabar. Those centres supported 34 trading hubs and storage facilities for 200 outstations across the colony.[122] The outstations traded directly with the local intermediaries.

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[118] Fieldhouse, *Merchant Capital,* p. 248.
[119] Cain, and Hopkins, *British Imperialism,* (London: Longman, 1993).
[120] Maria Misra, ‘Gentlemanly capitalism and the Raj: British policy in India between the world wars’ in R E Dumett, (ed.), *Gentlemanly capitalism and British imperialism: the new debate on empire,* (Harlow: Longman, 1999), p. 162.
[121] William Roger Louis, ‘Musaddiq and the dilemmas of British imperialism, in J A Bill and W R Louis, (eds.), *Musaddiq, Iranian nationalism and oil,* (University of Texas Press, 1988), p. 247.
[122] UAC 1/1/6/22, Company Palm Oil Bulk Storage Facilities: 1949.

Given that scale of buying infrastructure, UAC was allocated a palm oil quota commensurate to the company's assets, as the figures in Table 2.3 clearly show.

Table 2.3: Nigerian Palm Quotas for Selected European Firms 1943/4[123]

Company	Palm Oil %	Palm Kernels %
CFAO	4.01	6.54
J Holt	5.04	11.56
Paterson Zochonis	4.45	7.37
SCOA	7.37	4.47
UAC (+ GBO)	73.48	62.89

As an LBA to the marketing board, UAC was allotted almost three quarters of the total British quota for palm oil in the region. Profits generated by onward commodity sales carried out by marketing boards continued to climb as revealed in Table 2.4.

Table 2.4: Nigerian Marketing Board Bank Reserves 1947- 54[124]

Commodity	Capital Reserves £000
Cocoa	46,043.3
Palm Oil	35,014.8
Groundnuts	30,535.3
Cotton	8,321.3
Total Capital	**119,914.7**

The table shows that the profit from downstream sales of Nigerian produce was huge. If we apply the UAC quota in Table 2.3 of 73.48% to figures in Table 2.4, then the company lost roughly £24.73 million in profits over that period. That was a significant loss of revenue. It is therefore understandable why UAC directors consistently lobbied for an end to the boards. It was to no avail and subsequently

[123] P A J Mars, 'Extra-Territorial Enterprises', in M Perham (ed.), *Mining, Commerce and Finance in Nigeria,* (London: Faber & Faber, 1948), Table 8.

[124] Helleiner, 'the Fiscal Role of the Marketing Boards', p. 584, figures extracted from Table 1.

private investment in Nigerian commodity production stagnated or indeed, dried up. The chapter now turns to the few estates that UAC did own in West Africa.

UAC Estate Production

Despite the policy of Trusteeship, UAC continued to manage estates in Nigeria including those in the Congo where a ten-year investment programme secured 56,000 acres of estate land.[125] In contrast, in West Africa, total estate land was just 7,000 acres.[126] That consisted of four rubber estates in Nigeria (Jameson, Sapele, Qua Eboe and Ikotmbo) and one in the British Cameroons (Baï). There were four oil palm estates, two in Nigeria (Cowan and Calabar), and one each in the British Cameroons (N'dian) and Ghana (Sese). A further two banana estates were in the Cameroons (Bwinga and Lobe) however the Lobe estate was replanted in 1956 with oil palm and Bwinga with rubber in 1959. As indicated earlier, the financial contribution of those estates was not huge however, as Table 2.5 shows, one crop did show real potential.

Table 2.5: UAC West African Estates 1941–1949 Pre-tax profit/(loss)[127]

Year Ending	Bananas £	Oil Palm £	Rubber £	Total £
1941	(1,100)	13,100	37,200	48,200
1942	Unknown	22,900	68,700	49,200
1943	Unknown	22,300	78,400	101,000
1944	(4,600)	49,100	84,800	129,300
1945	(1,400)	38,300	87,200	124,100
1946	11,900	72,700	80,600	155,100
1947	27,300	179,200	92,900	299,400
1948	64,100	360,100	43,700	447,600
1949	64,100	462,700	6,800	533,600

[125] Wilson, *Unilever: 1945-1965,* p. 213.
[126] Leslie Davidson, 'Changing Trends in the Plantation Industry', *Unilever FDC Study Group,* 1974, p. 9.
[127] UAC 1/1/1/6/12-21, figures extracted from UAC provisional profit and loss Accounts, 1941-50.

The figures reveal that at the start of the decade, rubber generated the biggest profits. However, once the oil palm had reached maturity at the end of the 1940's, profits from those estates easily surpassed that of rubber.[128] In fact, the profits posted for palm oil in 1949 surpassed that of all other commodities combined, and that was despite being forced to sell through the marketing boards. Returns from the banana estates also improved, however the estate at Lobe was eventually wiped out by the Sikatoga disease in the late 1950s.[129]

Overall, estate profits were rising, particularly those growing oil palm. Therefore in 1953, UAC made another pitch for land and warned authorities that Nigerian palm oil production would soon fall behind the estates in South East Asia.[130] In fact, one official colonial report seemed to support UAC's proposals:

> British policy in Nigeria has held tenaciously to the principle of non-alienation of the land, on both moral and economic grounds, resisting the repeated efforts of large scale concerns to establish plantations. The competition of plantation production elsewhere is now too serious to be ignored.[131]

Despite the compelling economic argument, just as before, the land request was turned down on grounds of trusteeship policy. Reflecting on that decision, it is now clear that dogged resistance to foreign land ownership had little to do with economics or indeed much-needed rural development. Instead, policy was politically motivated by colonial officials who were wary about stirring up nationalist protest. That guarded approach was confirmed in a letter by the chairman of the Nigerian Produce Marketing Company in 1950 that warned UAC to be discreet about the vast revenue being generated in London by downstream commodity sales: 'I am, however, frankly uneasy, on political and other grounds…if any information got into the wrong hands'.[132] That said, it is equally fair to argue that UAC dominance on 'the Coast' probably had a bearing on land requests. That condemnation of UAC in

[128] In 1949, the market price for natural rubber declined by 10 per cent on the previous year due to reduced demand at the end of the war and the impact of synthetics. For prices see Barlow, *Rubber Industry,* p. 441.
[129] Interview with Leslie Davidson, 4 December 2012.
[130] UAC 1/2/3/11/1, various letters and reports on palm oil production (and other commodities) on UAC estates in Nigeria. Although Nigeria was the world's largest producer and exporter of palm oil in the 1950s, the rate that land was being cleared for oil palm in Malaysia made it clear that Nigeria would quickly be overtaken.
[131] FCBA, List 8 Box 52 File 2. UAC Memorandum on the Oil Palm Industry in Nigeria, 10 May 1965.
[132] UAC 1/2/3/11/1, Nigerian Marketing Company Ltd, letter dated 31 March 1950, p. 3.

official circles surfaced elsewhere. This was a response by a colonial official addressing a UAC land request in the British Solomon Islands:

> UAC would be as sound a firm to deal with as any in a matter of this kind. They are, of course, exceedingly well-known in West Africa. There is also, I think, a rather wider question to be considered, viz, whether we really want to let UAC, which had for some time almost a strangle-hold (and may still have for all I know) in West Africa, get the Western Pacific within its tentacles.[133]

The tone of the language used is revealing. In a number of colonies, politics always took precedence, and the colonial position undoubtedly coloured decisions on commercial investments. The colonial authorities in Nigeria thus clung on to the argument that allowing foreign access to land would open a political 'can of worms'.

This belief had a long history and lasted from the early 20th century into the 1950s, as the following objections to an estate culture in Nigeria collated during this research from various colonial and Fabian Society papers indicate:

1. If an estate became uneconomical then a European firm would simply abandon the land, leaving large numbers of unemployed locals behind.
2. Leading on from that point, authorities were concerned that subsidies and other types of assistance would then be required to keep the estates running.
3. Authorities conceded that, although an estate culture was more efficient, traditional production was more robust when commodity prices slumped.
4. Finally, by the 1950s, the British government was aware of demands for colonial development. Nationalism was on the rise and therefore privately owned estates in West Africa had the potential to cause further unrest among indigenous people and thereby bolster support for anti-British politicians. [134]

Arguably, those same objections to private estates applied to Malaya, especially at a time when the Communist insurgency was threatening all western interests. Yet, there, the British-owned plantation industry continued to flourish with the blessing of authorities. In contrast, the colonial authorities' blocking of UAC ambitions in commodity production seems likely to have deprived Nigerian agriculture of investment and the technological advances that were taking place on British-run

[133] CO852/1160/3, Memo by Sidebotham, 20 June 1950.

[134] These points were taken from various papers held in two collections; Kew (Colonial Office papers) and the University of Oxford (Fabian papers). Informative papers on British government policy were, CO 852/1140/1 and papers in 1155/1 and various papers dated 1905 to 1935, and deal with the subject of British ownership of land overseas. It is obvious that this policy differed from colony to colony. See also FCBA MSS Brit EMP S365, List 8, Box 52, File 2, memorandum on Oil Palm Industry in Nigeria, 10 May 1965, p.1. The paper addresses land policy in Nigeria and thereafter compares palm oil production to that of Malaysia.

estates around the world. That included, most notably, what took place in the nearby estate development in the Belgian Congo. However, as final arbiters of policy, the colonial authorities were not prepared to abandon this position. In that respect, the policy of trusteeship, alongside the marketing board system, were the two key underlying factors for a perceptible tail-off in Nigerian commodity exports after the Second World War. Both of these policies were, of course, of British design. A third factor contributing to the decline in exports was of a different type, and arrived in 1956 with the discovery of oil in the Nigerian Delta Region, a development returned to later in this thesis.[135]

In any case, after the final rejection in 1953, UAC management seemed to lose interest in the estates and instead directed their effort towards specialised trading and agency work. Tony Thomas justified management strategy thus:

> Unilever originally got into plantations as a defensive measure, certainly in West Africa because Lever felt vulnerable to extortion by the existing raw material exporters. That is why he bought UAC. As far as UAC was concerned plantations were always a separate business; it was different from trading.[136]

The argument made by Thomas here that UAC got into plantations as a defensive strategy is historically well made, however it is worth speculating about what would have happened had the company managed to secure Nigerian land. The profit figures in Table 2.5 above indicate that estate work could have become more than just the side-line business Thomas implied. In 1947, for instance, Unilever purchased an estate in Johor, Malaya, to grow oil palm. That purchase enabled the transfer of oil palm technology, personnel and growing practices out of Africa. The fact that UAC was not involved in this new venture, despite the company's proven estate management capability, is remarkable. It was perhaps an indication of what was to come within Unilever. A subsequent reorganisation of all overseas holdings by management in 1955 saw the estates placed into a single executive. The creation of a Plantations Group ended any UAC involvement in commodity production. Unilever's estate reorganisation, more importantly, closed off a potential diversification option for UAC when trading conditions began to deteriorate.

[135] Oil was first discovered in 1956 in the Niger Delta by Shell-BP and production there commenced in 1958.
[136] Interview with Tony Thomas, 6 December 2012.

Despite the ban on foreign land acquisitions in West Africa and the company's move out of estate management, UAC trade on 'the Coast' was still buoyant in the post-war era because of that well-diversified business portfolio. UAC was still very much the 'Business Octopus of Africa'. In 1951, for example, the company posted an annual turnover of £56 million from merchandising alone, which produced a profit of £9 million. Those figures represented a quadrupling of returns in just five years.[137] The question is why was UAC so successful? Thomas outlined UAC strengths thus:

> 1. We had money when local capital was scarce (someone reckoned the national income per head in Nigeria was about twenty quid) [1950/60s].
> 2. We also had long and practical experience of trade in the region.
> 3. We were careful to recruit personnel able to work independently.
> 4. We had a big network of trading posts.
> 5. We had economies not only of scale. People would come in to sell their produce and [leave] having bought our merchandise.
> 6. Our size enabled us to obtain agencies from international firms (Heineken, Caterpillar etc.).[138]

UAC was therefore a well-staffed, highly diversified enterprise with capital to spend on its established trading infrastructure in West Africa. The company was an obvious 'go to' agent for western manufacturers seeking entry into the region. Moreover, that availability of capital saw management outspend and/or buy out competitors in the region. For those reasons alone, any company contemplating a challenge on UAC's dominant business position on 'the Coast' had its work cut out.

For the parent company, UAC in the post-war years was a major financial asset. Indeed, its position was described thus by one former employee: '[the subsidiary was] the brightest feature in Unilever's crown'.[139] However, the future of UAC was already under scrutiny in some quarters. A Unilever report completed in 1955 raised a number of concerns about the future of trade in West Africa. The report may have been motivated by looming independence in the Gold Coast (Ghana) as it is clear that some senior staff were questioning the sustainability of business on 'the Coast'. Another concern, however, lay with UAC's continued involvement in the commodity trade, the conditions of which were in steep decline.

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[137] UAC 1/1/1/6/18-23, figures extracted from UAC provisional profit and loss Accounts for 1946 and 1951.
[138] Interview with Tony Thomas, 6 December 2012.
[139] Unilever Archives, GB1752.OH/5, this phrase was used by James Keir, Legal Advisor to UAC, interviewed on 30 March 2004.

Indeed, the commodity trade was a precarious business for a number of reasons, and particularly due that reliance on local intermediaries to collect the produce from farmers. In 1949, for example, an article in UAC's *Statistical & Economic Review* revealed that roughly a quarter of palm oil bought by the company in Southern Nigeria was purchased by means of interest-free loans or goods on credit.[140] The transactions were conducted on trust and facilitated through cash advances to local intermediaries. In a region where cash was king, David Griffin, a former UAC manager, was heavily involved in this trade, and he highlighted the weakness, which Thomas confirmed, that the company was at the end of a long buying chain and totally reliant on local intermediaries with no allegiance, other than financial, to UAC. Thomas recalled trade first hand with those intermediaries:

> The first time I ever went to Nigeria, I went into the Produce Managers office in Kano. This villainous looking gentleman came in, seized large bags of coin, put a thumb print on a piece of paper and left. I said to the manager "how do you know you are going to get groundnuts back?" He said "why do you think I have a Gastric Ulcer?" But what happened was that the Nigerian man who was a wholesaler, he would go out and give some of money to a sub-wholesaler who gave some of the money to another and it would go right the way down to the farmer because even small amounts of the money were valuable in those days.[141]

Most transactions with indigenous buyers on 'the Coast' were conducted in this informal manner. By today's standards, it was, to put it mildly, rather risky, and indeed UAC was certainly at the end of the buying chain. Despite this, Thomas argued that the system operated efficiently because if a buyer did not return then he was not employed again.[142] It was an ad hoc arrangement that suited all parties as long as UAC continued to offer a better or at least similar price as competitors. But in the end, the company had little choice, as Griffin argued: 'Nigerian individual produce buyers accounted for 90 per cent of local purchases.'[143] The outstations also acted as unofficial banks and allowed local buyers to deposit funds for safekeeping. This provided financial liquidity and further sales opportunities, a point expanded on by Griffin:

[140] UAC *Statistical and Economic Review*, 3 (1949), p. 21.
[141] Interview with Tony Thomas, 6 December 2012.
[142] Interview with David Griffin and Tony Thomas, 6 December 2012.
[143] Interview with David Griffin, 6 December 2012.

> When I first went out there I was buying palm oil, palm kernels, copra and we used to hold the traders' money when they brought produce in, they built up an account. In fact we paid them 1 per cent commission but then we did, forgive me for saying, conditional sales. We said, 'look you have got all this money, I have got this load of corrugated iron sheets, I'm overstocked, I've got to get rid of them so listen you buy the sheets of Iron and I will just deduct it from your credit'. He could go off and sell it in the market anyway.[144]

However, as the bank balances of those local intermediaries swelled, they became relatively wealthy and could choose to bypass UAC and sell directly to a regional marketing board (after 1954 when the boards were transferred from London). This added further financial strain to UAC's precarious position in the trade as profit margins were still being dictated by the price paid to LBAs by the marketing boards.

In 1954, London relinquished control of the boards, and they were transferred with substantial bank balances to West Africa. The much-maligned marketing board system was then retained by Nigerian regional authorities, and profit from onward commodity sales continued to mount. The difference now was that any form of financial accountability and restraint was gone, a point picked up on by Thomas:

> Undoubtedly too little of the marketing board surpluses were ploughed back into agriculture. I think that is best explained by the politically motivated siphoning off of surpluses, especially to finance economic development plans.[145]

Many Nigerian politicians came to view profits from the commodity trade as revenue to be used as they wished and, as such, a number of dubious local development projects were funded. When the Nigerian Federal government took power at independence in 1960, officials also viewed the trade as a means to generate much needed capital. The marketing board system therefore was a legacy of British rule that was retained by a nationalist regime despite the costs to agriculture. In practice, the boards in fact imposed a levy on agriculture, which, when added to federal taxes, represented a loss of over 29 per cent of income for palm kernel producers alone at one point.[146] This was a disincentive to producers, many of whom switched to alternative crops like gari (cassava meal) which could be sold locally to avoid export

[144] Interview with David Griffin, 6 December 2012.
[145] Interview with Tony Thomas, 6 December 2012.
[146] Helleiner, 'The Fiscal Role of the Marketing Boards', p. 585.

taxes. British firms also took radical measures to avoid the financial imposition of the boards, and Davidson recalled a major replanting exercise undertaken by the Plantations Group: '[To remain profitable] we replanted the Calabar oil palm estate with rubber because there was no marketing board [for rubber]. This is now a successful rubber estate.'[147] It is all the more remarkable considering that this crop conversion took place at time when estate owners, including Unilever, in Malaysia were doing the exact opposite and replacing rubber with oil palm.

Ultimately, the retention of the marketing boards weakened the Nigerian palm oil industry at a time when the commodity was experiencing an upsurge in global demand. The boards themselves survived until 1977 when, some 37 year after inception, they were finally dissolved. During those years, Nigerian agriculture was milked of capital and profits from the commodity trade went into questionable pet projects of leading Nigerian politicians in the name of development.[148] Perhaps more damningly, the nation became a net importer of food. That included palm oil, a commodity Nigeria once produced and exported more than any other nation. Absences of any real investment in agriculture saw rural employment stagnate, which thereafter accelerated urban migration. This in turn generated deeper and more fundamental social issues in cities, which were themselves compounded by Nigeria's limited manufacturing capability at this time.[149] That latter point was again a legacy of British rule when almost all finished goods were imported into the colony. However, for UAC, the marketing boards were not the sole reason for the final business exit from commodities. In truth, conditions of trade in the commodity trade for the foreign company had been in decline for quite some time.

When boards were transferred to the Nigerian regions, the authorities were more inclined to allocate LBA status indiscriminately to indigenous traders rather than foreign firms. In that respect, Thomas believed that continuing in the trade would have eventually resulted in UAC being muscled out by local intermediaries:

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[147] Interview with Leslie Davidson, 4 December 2012.
[148] All interviewees raised reservations on the development projects undertaken by Nigerian authorities which were largely paid for by marketing board funds. Leslie Davidson was scathing about a lack of oversight and malpractice by some Nigerian politicians citing 'plush marketing board offices' built in regional capitals.
[149] In 1950, National Accounts records industrial production to be 2.8 per cent of GDP. Toyin Falola, *Economic Reforms and Modernization in Nigeria, 1945-1965,* (London: Kent State University Press, 2004), p. 84.

> The Nigerian government wanted to see the produce trade as a wholly indigenous enterprise and [achieved this through] the marketing boards by restricting our ability to function as an LBA. Reduced profitability partly due to the increased competition from indigenous LBAs [persuaded] UAC to reckon accurately that this situation was likely to worsen further.[150]

That lack of official oversight allowed many indigenous LBAs to take matters into their own hands and deal directly with marketing boards rather than UAC. Moreover, many indigenous buyers resorted to dubious practices. For example, a UAC report in 1957 found:

> In the east [of Nigeria] competition in palm oil is disturbing. This is due to small licensed buying agents with lower overheads and operating in places as near to bulk oil plants as possible, who wrangle their FFA [Free Fatty Acid] content and bribe the inspection and laboratory staff in the bulk oil plants.[151]

When Nigerian buyers branched out on their own, they were lost to UAC forever. Thomas confirmed that 'we [UAC] didn't go out and buy the produce ourselves, so if they [Nigerian intermediaries] left us we couldn't operate.' There were also times when some competing firms offered inflated prices. A company report in 1958 stated that CFAO, Holts and SCOA were overpaying local buyers and that had contributed to a 62 per cent drop in palm oil purchased by UAC in the Onitsha district of Nigeria.[152] Clearly there was no loyalty or cross-company cooperation in the trade. Although UAC revenue from the trade had been stable if not spectacular, in 1957, a loss of £44,000 on palm products was reported. The next year, the company broke even and, in 1959, reported a small profit of £350,000. That profit, however, represented a return of just 1.1% of a total turnover figure of £33 million.[153] At the end of the 1950s, UAC operated 350 buying outlets in West Africa, employing around 2,500 personnel in Nigeria alone.[154] The company also had a further 2,700 local intermediaries under contract to facilitate trade.[155] The financial commitment to a commodity buying infrastructure constructed over a number of years therefore was huge. Eventually, however, the hand of the UAC board was forced when rumours

[150] Further points raised in a letter by Tony Thomas when reviewing draft thesis, 10 July 2015.
[151] UAC 1/1/2/4/7, Franklins report on his visit to Nigeria: Board Minute 8914 29 Jan 1957.
[152] UAC PR/3/3/17/3, Strauss to Eastern Produce Manager, Aba, 17 June 1958. The report states that CFAO, Holts and SCOA were overpaying African suppliers 2s6d per bag of palm fruit.
[153] UAC 1/1/1/6/30, figures extracted from UAC provisional profit and loss Accounts: 1959.
[154] Wilson, *Unilever: 1945-1965,* p. 221.
[155] UAC, *Statistical and Economic Review, 1961,* for the trading year 1960, UAC recorded a figure of £24.6 million for all produce purchased in Nigeria and Ghana.

circulated that the eastern and western boards in Nigeria proposed reducing the price paid to LBAs. With the Plantations Group now managing Unilever estates in West Africa and elsewhere, the UAC board announced withdrawal from the Nigerian commodity trade in 1960.[156] The directors now based survival of the company on specialist trade and, moreover, the Nigerian domestic market.

The exit from commodities drew a line under a core trade that stretched back to before the company's formation in 1929 if the activities of UAC's predecessor companies are taken into account. For Nigeria, the consequences of UAC withdrawal from any form of involvement in the commodity trade impacted negatively on agricultural production. There were a number of reasons for this however perhaps the removal of British company regulation and accountability within the trade saw farmers subjected to less equitable conditions of trade. What is also true is that palm oil production stagnated and declined relative to other nations thereafter.

UAC and Specialist Trade

Lost revenue was not confined to the commodity trade as the out-stations also conducted supplementary sales of merchandise. Historically speaking, foreign firms on 'the Coast' had pursued a dynamic and flexible approach to business in relatively unregulated markets. However, even though demand for western goods continued apace, there was now a need for a more sophisticated and specialist approach to that business. UAC certainly had a fair number of specialists in its ranks, particularly at home, but now London head office insisted on more modern management structures and practices on 'the Coast'. Hence, the company structure was streamlined and compartmentalised to reflect and accommodate specialist agency work on 'the Coast'. The motors department became UAC Motors; hardware was now UNACIL; and there was also a Breweries Division and a department overseeing and operating Kingsway Supermarkets etc. rather than the somewhat haphazard approach previously employed. The aim of the new setup was to present UAC in a more professional light to western manufacturers.[157] To appease nationalist

[156] UAC 1/1/1/6/30, figures extracted from UAC provisional profit and loss Accounts: 1959.
[157] UAC 1/2/4, UAC Directorate: Divisions and Subsidiary Companies. In the late 1950s, London head office reorganised trading divisions in West Africa to reflect more closely the products each was handling.

concerns, the board also decided to register a number of divisions locally as separate business entities. Moreover, it was thought that local registration would mitigate risk on 'the Coast' and thereby attract more multinational clients. UAC Motors was the first of many to be locally registered in Nigeria. It provided some comfort to London that the company remained wholly owned by UAC and staffed at board level and in higher management by expatriates.

This new business setup may not have been trade diversification in the true meaning of the term. It was, though, a fundamental shift away from general trade and commodities. There is a question whether management perhaps should have embarked upon this restructuring programme at an earlier stage as the reasons for the company's exit had been evident for a number of years. A better time to embark on the diversification strategy would have been immediately after it became known the marketing boards would be relocated to Nigeria under local authority control in 1953. Did the board still contemplate a future in the commodity trade even when the request for estate land was turned down also in 1953? If this was the case, why then did management not pursue those estate ambitions outside of West Africa? An obvious choice was Malaya where Unilever already had an oil palm estate. As it turned out, the parent company created another division in 1955, the Plantations Group, and tasked it to look after all Unilever estates both in Africa and elsewhere. In that move, the Unilever Special Committee most probably brought to an end any commodity production ambitions entertained by UAC management. That said, UAC was still heavily involved in the downstream trade in West Africa. To that end, and, despite deteriorating financial returns, it still took the UAC board seven years to move out of the commodity trade in West Africa completely, and, in that respect, perhaps parent company oversight should have been more rigorous. This was an occasion when Unilever's preferred hands-off approach to managing subsidiaries can be faulted. It is thus worthwhile taking a closer look at the subsidiary/parent company relationship that existed at that time.

Unilever and UAC

As noted, the Unilever philosophy on managing subsidiaries was to afford autonomy wherever possible. It was a management strategy that had served the company well during imperialism. The question was, though: was that same approach practicable in an independent state? The management ethos was, however, reaffirmed in a 1959 paper, 'An International Business', which stated 'It has long been our principle that operating companies know their own business, and should be left to get on with it in their own way'.[158] Of course, Unilever core business was manufacturing; UAC trade on 'the Coast' was a completely different beast altogether. Until the 1950s, that was never really an issue as subsidiary profits continued to flow and, at times, kept the wider Unilever business afloat. Wilson calculated that, after the war, UAC was 'providing between one-third and one-half of group profits'.[159] Therefore, UAC business practices were rarely questioned by Unilever's Special Committee.[160] In the 1959 paper, the authors did, however, make recommendations that certainly applied to UAC. These included: 'trade should always be transferrable to other regions or nations', in the first place, to enable expansion, and second, to facilitate the relocation of trade if conditions deteriorated in a particular region. Furthermore, the paper gave guidance on staff numbers, warning that 'large headquarters have their dangers'.[161] It seemed as if the authors were making direct reference to the top heavy management of UAC, alongside the growing dependency on 'the Coast' trade. Despite these warnings, it would appear that the UAC board was still focussed on business expansion on 'the Coast' and included giving the company a more African appearance. One recalls Decker's point that British firms in West Africa attempted to build up goodwill by aligning business strategy to that of a host nation's local development policy. It was a very tricky route to go down, however.

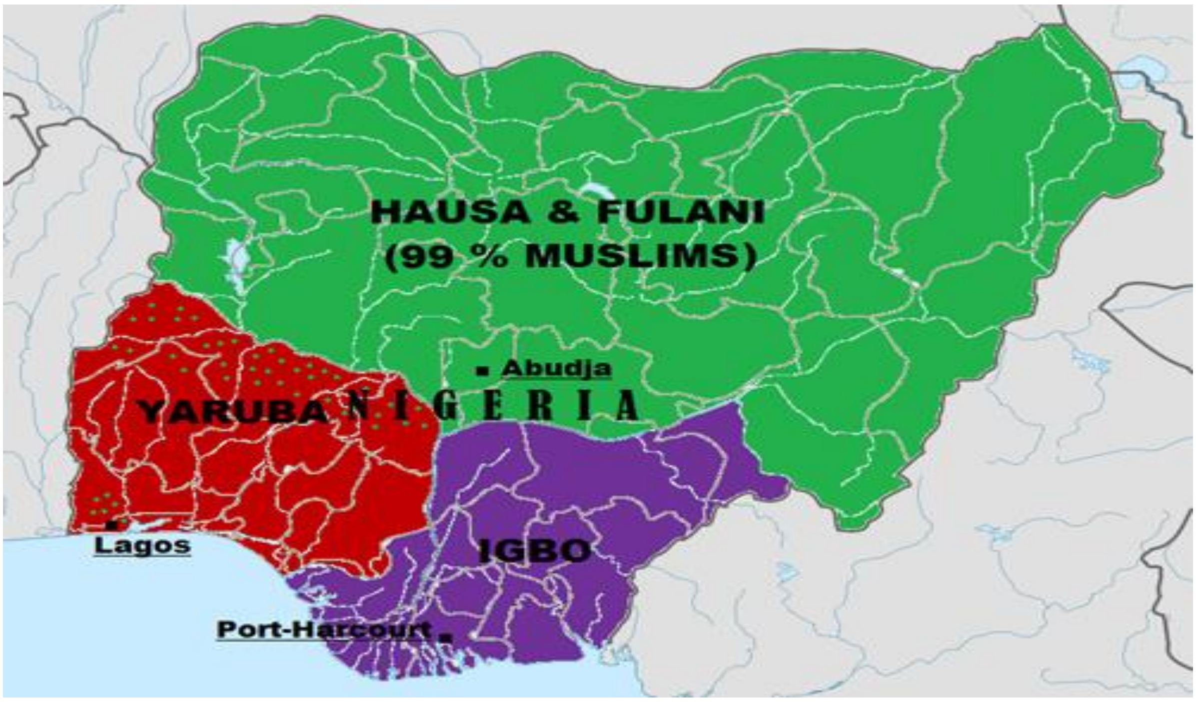
Africanising UAC

In 1951, UAC recruited a career civil servant to run the company. The new Managing Director, Frederick Pedler, came with 20 years' service in the African Colonial Office and very little experience of the world of business. Undoubtedly Pedler understood the institutional workings of the region (under British rule that is); however, the transition to African self-rule must have seemed extremely chaotic at times even to this former civil servant. In 1953, the Federation of Nigeria was

[158] Unilever, *an International Business: Unilever Limited, 1959,* Lever Brothers, Port Sunlight, p. 8. A copy of this paper was passed to author by Tony Thomas.
[159] Wilson, *Unilever: 1945-1965,* p. 214.
[160] Interview with David Griffin and Tony Thomas, 6 December 2012. Both referred to Unilever's Special Committee as the 'three wise men', a system of corporate governance that is still in place today.
[161]Unilever, *an International Business,* p. 8.

formed, consisting of four self-governing regions. The regions were later reduced to three and divided along tribal lines; the Hausa in the north, Igbo in the east and Yoruba in the west, as the image below shows.

Image 2.1: Map of Nigeria showing main Tribes and land borders[162]



Allowing the regions to self-govern was an error in judgement as divisions were not just tribal, but also religious, and ethnicity, religion and politics rarely mix well. What is more, from a UAC business perspective, as the nation approached independence, a permanent seat on the Nigerian Legislative Council was lost in 1955. Tony Thomas explained the importance of that municipal body to UAC business:

> In colonial days there was a Legislative Council and our chairman was the commercial representative on Legco. It was a business-like arrangement because Legco wanted to make sure it didn't kill the businesses which provided employment and taxes and we wanted to make sure that if any legislation was coming, we didn't have a veto but, we could express an opinion.[163]

Moreover, a few radical politicians were already questioning the dominance of foreign companies in the private sector and arguing for change. In 1956, a National Economic Council was established to replace the previous (British business-sponsored) Legislative Council. The powers of the new public body were enhanced

[162] Image online, see <https://www.gatestoneinstitute.org/4206/nigeria-middle-belt>, (accessed, 1 May 2016).
[163] Interview with Tony Thomas, 6 December 2012.

by a Joint Planning Committee formed in 1959. UAC had no representation on either of these new powerful public bodies. Any ability to influence local business policy was quickly ebbing away and the rise of nationalism was emerging as an obvious threat to UAC trade interests in Nigeria.

To assuage growing discord among Nigerian politicians, Pedler proposed and then pushed through resolutions to register several more parts of the business locally. He later justified the strategy arguing that:

> Seeing that the country would soon be independent, UAC decided to give its business the form of a Nigerian company so that it might be better able to co-operate with an independent Nigerian government.[164]

Pedler, the diplomat, was determined to combat local criticism levelled at UAC and avoid the company being viewed as an unwelcome reminder of British exploitation. Therefore, in 1957, UAC of Nigeria Ltd (UAC [N]) was locally registered with a start-up capital of £5m, alongside the companies, UAC (Gold Coast) and UAC (Sierra Leone).[165] Pedler claimed that the move was needed 'to give the company a local character and to enable it to become a citizen of the state when it became independent'.[166] It was a move that paved the way to serious challenges for management in later years. Although not fully appreciated at the time, by placing parts of the company outside of the corporate protection offered by London, Pedler had made UAC vulnerable to hostile legislation overseas. Moreover, at that time, for the British investor, a company's corporate residence was extremely important. That was confirmed by David Hopkinson, former fund manager for Municipal & General Investments (M&G).[167] In Pedler's defence, UAC had just the one shareholder, Unilever and, no shares in the new associate companies were made available to African nationals. The underlying and perhaps unforeseen issue was that, despite Pedler's crusade to give the company more of a Nigerian look by local registration, it was always perceived by politicians as British and from a populist standing, an unwelcome reminder of colonialism. Therefore, UAC and, those locally registered constituent companies, were lumped together and treated similar to all other resident

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[164] Unilever Archives, GB1752/OH.1, UAC Company staff recorded memoirs – Frederick Pedler.
[165] UAC 1/1/5/23, Chairman Report of Annual Accounts, 1957.
[166] UAC 1/1/2/21, paper by F Pedler entitled 'Local Registration of UAC Assets', June 1959.
[167] Interview with David Hopkinson, 4 July 2014.

foreign firms accused by Nigerian politicians of exploiting the nation and its people. In fact Pedler's strategy can criticised further as local registration opened a door to more direct legislative challenges in the future, a subject covered in later chapters.

In some areas, Pedler's take on the Nigerian political economy was laudable for his time. UAC was in need of a more African appearance that could perhaps fashion a workable relationship with incoming Nigerian politicians. The question is: could that have been done without local registration? Nothing in the UAC archives indicates that management were pressured into local registration and therefore, if it was voluntary, then it was an own goal and symptomatic of a board that was accustomed to acting autonomously. Thomas defended the move thus:

> I think that with any sort of appraisal it is very useful to put yourself in the other person's shoes. To say that all of us have an instinct for self-preservation helps to explain the attitude of UAC.[168]

That statement also alluded to an apparent unwillingness on the part of the UAC board to consult Unilever, a consultation which may have undermined that autonomous position. In fact, Pedler's strategy was no different to a number of British overseas firms that were pursuing similar strategies elsewhere in the former empire. Still hard questions remain unanswered about UAC's decision to locally register important parts of the business, regardless of Thomas's defence above

On that subject, the business historian Stephanie Decker claimed that British firms in West Africa 'gained social capital through corporate policy that was linked to official development programmes, facilitated by good publicity and extensive political networking'.[169] That statement fits with Pedler's goals in Nigeria. Moreover, those interviewed claimed that the name of UAC held respect among local Nigerians (there is, though, no direct evidence to confirm those claims).[170] One could counter that those who took office in the newly independent government did not share that respect, and that, in the end, it was they who mattered most. Moreover, a number of

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[168] Interview with Tony Thomas, 6 December 2012.

[169] Decker, *Building up Goodwill,* p. 3.

[170] Interview with David Griffin and Tony Thomas, 6 December 2012. Both spoke of the respect with which the company was held by the ordinary Nigerian. Naturally, these claims cannot now be substantiated and, of course, this also raises the issue of viewing past events through 'rose tinted spectacles'.

politicians were businessmen in their own right. They most probably coveted parts of UAC trade but lacked capital to compete on a level playing field. For that reason alone, it is more likely that UAC had only working relationships with local politicians. Indeed, a vast number of reports written by visiting London staff speak only of courtesy calls to local politicians in Nigeria.[171] Some UAC employees argued it was not company policy to 'cosy up' to Nigerian politician due to underlying tribal and religious tensions.[172] It was more the case therefore that, although UAC did Africanise parts of the business, management did not pursue the 'extensive political networking' that Decker suggested. There was, of course, the possibility it may have gone on behind the scenes. However, if it did, it was in violation of Unilever's declared ethical business stance overseas. That in itself raises questions about how much the UAC board told Unilever about business operations on 'the Coast'.

Unsurprisingly, it was only a matter of time before Nigerian politicians introduced a policy aimed at reducing the presence and business share of foreign companies. As early as May 1958, the board of UAC was informed that the Federal government intended to introduce a tax on company profits if it did not subscribe to a new and unsecured Nigerian state loan. Since 1955, Nigeria's sterling assets had been declining and had fallen by £17 million in just five years. Moreover, the balance of payments deficit was, by 1960, about £18 million.[173] Those sterling assets were obviously being used to fill the balance of payments deficit. In response to the loan request, the UAC board took a hard line and informed authorities that 'in a political climate of this sort, the time had come [for the company] to begin to disinvest'.[174] The response was indicative of a Unilever policy that cautioned that a company should never invest in something in which it was not directly involved; it was not, after all, a merchant bank. That said, the Special Committee later conceded that 'in UAC's position a degree of flexibility may be applied to meet heavy

[171] UAC 1/9/4/1/5, UAC Corporate Planning Department: Nigeria – Visit Reports, 1957 to 1981. There are a number of visit reports referring to different areas of trade. Some reports talk of calls made to Nigerian officials out of courtesy as opposed to discussing matters of business in depth.
[172] Interview with David Griffin and Tony Thomas, 6 December 2012. Both claimed that many Nigerian businessmen were also active in politics and the self-interests of certain individuals surfaced in lobbying for the Nigerianisation of trade to reduce the commercial strength of British companies like UAC.
[173] 'Nigeria's first year: Anniversary of Independence', *the Round Table, Commonwealth Journal of International Affairs,* 52 (1961), p. 55.
[174] UAC 1/1/5/21, Board Minute 9566, 5 May 1958.

political pressure.'[175] As events played out the tax threat was hollow. The episode did, however, post a warning that business conditions in Nigeria were subject to change and certainly now unpredictable.

In the meantime, UAC revenue on 'the Coast' was buoyant despite the company's restructuring programme. Company accounts for 1960 would have made good reading in Unilever House, as Table 2.6 shows.

Table 2.6: UAC(I) Profit and Valuation Figures at 30 September 1960[176]

Gross Profit £	Dividend %	Company Valuation £	Cash Reserves £
1,922,800	8	47,000,000	30,000,000

The table shows that profit, despite the exit from the commodity trade, was almost £2 million and therefore a dividend of 8% was provided to the parent company. The figures further indicated that perhaps specialised trade could compensate for the loss of the commodity trade. The results also highlighted the strength of capital reserves. In 1960, London staff moved across the Thames into a new headquarters, UAC House. Although the move was caused by overcrowding in Unilever House, nevertheless, it underscored the autonomous status of UAC.[177] That was a high water mark in UAC history when staff looked forward to a new, if uncertain, trading future on 'the Coast'. It did not last long, however: one year later, UAC posted a £1.1 million loss on its Nigerian trading operations.[178]

Before moving on it is worth reflecting on the company structure that emerged in Nigeria under British rule. On 'the Coast', and particularly within the Nigerian private sector, that structure was rather straightforward. There was really only UAC and all of its various constituent business parts. Many of the companies that were active before UAC arrived were bought out and added to the 'Business Octopus of

[175] UAC 1/1/522, Board Minute 199, 29 June 1959.
[176] UAC 1/1/1/6/32, figures extracted from UAC provisional profit and loss Accounts, 1960: Director's Report dated 3 January 1961.
[177] In 1959 UAC staff vacated Unilever House and moved across Blackfriars Bridge in London into new purpose built Headquarters. This was caused by a lack of space in Unilever House.
[178] UAC 1/1/1/6/23, figures extracted from UAC provisional profit and loss Accounts, 1961.

Africa' by the end of British rule. At independence, any remaining competitors had neither the capital nor the trade reach to threaten UAC. Therefore, it is no surprise that UAC became an obvious target to Nigerian politicians and particularly those with business interests. As such, the position of UAC in the Nigerian private sector was more fragile than under British rule. Some of that weakness lay with a lack of local competition. By extension, there was no collective strength through local business representation. A lack of support in political circles (colonial and national) did have an impact on UAC trade and management strategy at different times. When Nigeria achieved independence in 1960, the future of UAC was anything but certain. However, the company had now pinned its hopes for business survival on specialised trade and agency work, with a measure of Africanisation to appease bad press locally on 'the Coast'. In truth, Pedler had burnt most of UAC's bridges, particularly when UAC exited the commodity trade. The subsequent and mounting challenges to UAC business are examined in later chapters.

Before we come to that, though, the thesis turns to Malaysia and looks at trade development and company formation in that former colony, the early British commercial role in agriculture and the all-important commodity trade prior to independence.

Chapter 3: Malaysia pre-1942 – the rise of the Agency House

Introduction

This chapter now turns to look at a number of British companies that were active in Malaysia before and after independence. The companies are: Thomas Barlow and Brother (Barlows), the Guthrie Corporation (Guthries) and Harrisons & Crosfield (Harrisons). All three were examples of the Agency House business model and all specialised in commodities as well as the provision of professional services to local FSCs. Each started life as family-owned merchants, however, by the first decade of the 20th century, both Guthries and Harrisons were listed on the London Stock Exchange. Barlows, though, remained family-owned throughout. The corporate status, trading strategy and growing commercial interests in Malaya of each of these firms offers a further opportunity for comparative company analysis. Moreover, corporate status and separate equity portfolios would have a direct bearing on the business longevity of each Agency House in Malaysia.

The chapter begins by reviewing early British trade in Malaya and focusses on the huge investments that were made to develop a European-style estate industry to grow rubber. Unlike the case of Nigeria, the colonial authorities in Malaya were more welcoming of British (and other foreign) land ownership. That endorsement at government level would lay the ground for the business ascent of the Agency House in Malaya. The research therefore dwells on a number of key aspects of British rule, the political economy of Malaya and the trade that enabled those Agency Houses to build up controlling positions in the estates. Under *de facto* Agency House direction, those estates would become an 'economic pillar' for the nation, as it remains so to this day.[179] We start with a brief look at what marked out the Agency House in the early years of British trade in Malaya.

The Agency House Business Model

A common feature of each of these firms was a flexible and diversified approach to business by the end of the 19th century. In this regard, the directors of Harrisons exhibited a particular knack of positioning the company in the right type of business

[179] The term, 'Economic Pillar' was used by Malaysian leaders when discussing the rubber, tin and palm oil industries. It was also used by the Raja Alias on the contribution of palm oil, 6 November 2014.

at the right time. That may have been due to an early lesson in the danger of pursuing a single avenue of trade. This topic is developed further later, but the point to make just now is that the Harrisons' board always resisted outright estate acquisitions, as did Guthries for a time. By the start of the 20th century, all three Agency Houses were among a small band of 'go to' companies for the local FSC operating in Malaya. Professional services offered by these Agency Houses included accounting, banking, legal support, export logistics and estate management, to name a few. The last of those provided keys to the development of both the Malayan estates and the Agency Houses: Agency Houses consistently invested in client estate operators and reaped significant dividends especially when demand for rubber soared. A share of those dividends was ploughed back into client firms, and soon the Agency House became a major shareholder in a growing industry. In simple terms, these companies used the profits generated by others to grow their own business through a programme of measured investment. That position overseas was bolstered by an office presence in London and links to the City. Those links to the financial world generated secretarial work paid on commission for client estate operators seeking capital to expand. This was a lucrative business that further enhanced the equity holdings of the Agency House in Malaya. Therefore, the evolution of the Agency House as a firm can say much about British business overseas, including that of the estate industry in Malaya. First though, the chapter looks at the early years of British trade in Malaya.

The Origins of British Trade in Malaya

Throughout the 18th century, the numbers of British merchantmen arriving off the Malay coast steadily increased, and a permanent trading settlement was established at Penang. Thereafter, the island of Singapore was claimed by Thomas Stamford Raffles in 1819, and the British took control of Malacca after the Anglo Dutch Treaty of 1824. From all three strategically positioned ports, the British could project military power and trade across the region of South East Asia under the auspices of the East India Company.[180] That trade attracted all manner of commercial enterprise to the peninsula. Among the first to arrive in Singapore was the Scottish merchant,

[180] D J M Tate, *The RGA History of the Plantation Industry in the Malay Peninsula,* (Kuala Lumpur: OUP, 1996), pp. 15-17.

Alexander Guthrie, founder of one the most celebrated British Agency Houses in Malaya's history. Guthries specialised in the provision of logistical support to a vast number of FSCs operating locally. Guthries also had offices in London, albeit not a headquarters. However, that London presence provided a means for British investors to speculate overseas, most prominently in this case in the Malayan estates. Guthries were not alone in that regard as a number of Agency Houses offered the same financial conduit. Capital flowed east, and the Malay interior was steadily opened up to British commercial interests. By the end of the 19th century, the region, to all intents and purposes, was under indirect British rule and home to a vast number of FSCs engaged in a variety of ventures, many of which were resource-extraction industries.

British FSCs located in Malaya as elsewhere were largely reliant on local lenders, like the Agency House, for cash liquidity. Thereafter, if more capital was required, then it usually came from the financial houses of London (in early years, that included industrial, commercial and financial strongholds in the north such as Glasgow and Manchester). As the British financial market matured and was centralised in London, access to capital was achieved by floating on the stock exchange. Therefore, by the end of the 19th century, a substantial amount of British investment was being targeted at a new and extremely profitable estate industry in Malaya. An inducement to investors was the favourable conditions of trade available to FSCs in Malaya. That included a leasehold system of land tenure that was usually granted for up to 999 years with no specified fee increase under the principle of 'permanent settlement'. Sir Frank Swettenham, first British Resident General to the Federated Malay States (and later chairman of Barlows' Highlands and Lowlands Para Rubber Company) justified the scheme on grounds that security of tenure and cheap rent were needed to attract British investment.[181] Comparatively speaking, these favourable business terms were not available to FSCs in all colonies and not, for the purposes of this thesis, in Nigeria.

[181] For further details on the land lease terms see Lim Teck Ghee, *Origins of a Colonial Economy*, (Penerbit Universiti Sains Malaysia, Penang, 1976), p. 13. The Federated Malay States of Selangor, Perak, Negeri Senbilan and Pahang were administered from Kuala Lumpur by Swettenham from 1986 to 1901, after which he became the British High Commissioner.

The land-lease scheme was unveiled in 1897 under special regulations for the Federated Malay States with rent set at 25 cents per hectare for the first ten years.[182] That paved the way for extensive rural development, as estates were cut out of the jungle to grow rubber. A decade after the first estate was planted at Malacca in 1896, rubber production in the colony had surpassed the total output of Latin America.[183] That trend continued apace, and Malaya, as it came to be known, became the world's largest exporter of rubber. The pace of rural development was breath-taking, and, by 1921, some 1,470 European, mainly British, estates covered half a million hectares in Malaya. Rubber production there was now four times that produced by Africa and Latin America combined.[184] To achieve that scale of development required vast inputs of capital, people and research. In 1913, investment stood at M$351 million (£41 million) with most coming from British industrial wealth.[185] It was not just money, as huge numbers of managers were despatched overseas, while most estate workers were transported from Southern India. The ability to draw on such a vast human resource pool in various parts of the Empire was an obvious advantage for British business interests globally. That said commercial success for the FSC was far from certain. That success relied on the abilities of London-based directors to manage from afar. In that respect, the directors of the Agency Houses played a key role, and it is to those companies that are listed above that the chapter now turns.

The Early Years of the Agency Houses

Each of the Agency Houses evolved somewhat differently by geography, ownership and trade. Some of those differences remained and surfaced more prominently in later years, which is a subject covered more fully in the subsequent chapters of this thesis. What was clear, though, was that all three were destined to become highly profitable firms largely due to their commercial interests in the Malayan estate

[182] Barlow, *Natural Rubber Industry*, p.28.
[183] Barlow, *Natural Rubber Industry,* pp. 25-30.
[184] Barlow, *Natural Rubber Industry,* p. 53. Also see Table 2.2, p. 26 and p. 35 for planted area and estate numbers respectively. Natural History Museum, *Seeds of Trade,* see <http://www.nhm.ac.uk/nature-online/life/plants-fungi/seeds-of-trade/page.dsml?section=regions&region_ID=1&page=spread&ref=rubber>, (accessed, 25 August 2015).
[185] Barlow, *Natural Rubber Industry,* p. 36. Here Rubber is ranked ninth in terms of main recipient industries of UK overseas investments, after Railways, Mines, Banks and Government Loans etc.

industry. One of those was Harrisons, a company that first started trading from a warehouse close to Liverpool's Albert docks.

On New Year's Day 1844, the brothers Daniel and Smith Harrison went into business with Joseph Crosfield in a warehouse a few streets back from the docks. With a start-up capital of £4,000, the new company began importing tea and coffee from China, Costa Rica, Jamaica and Brazil. Tea drinking was sweeping across Britain at that time and helped deliver profits of £3,000, £5,000 and £6,400 respectively in the first three years of trading. At that time, tea sales provided 80 per cent of revenue.[186] Market entry was well timed as British companies were soon supplying the world with half of its tea.[187] However, it was clear that opportunities to grow the business were limited by geography and the disposable income of Liverpudlians. In July 1854, the partners gambled and relocated business south to 3 Great Tower Street in London. After a recorded loss on the first year of £1,162, the company posted a remarkable profit of £25,000 in 1857. Over the next decade, business grew steadily and Harrisons became the third largest tea trader in Britain, with annual sales of 2.5 to 2.75 million lbs (roughly 2.5 per cent of all UK tea sales).[188] Soon though, a number of British firms decided to move upstream in the trade. As such, tea production in, most notably, Ceylon (Sri Lanka) rocketed under British direction. Moreover, advances in shipping gave easier access to the overseas estates, and it was not long before the tea trade became a crowded marketplace. Increasing competition in Britain combined with greater numbers of ships docking with tea saw Harrisons' profits reduce as profit margins were squeezed. The figures in Table 3.1 reveal this trend in company profits from the tea trade in the last third of the 19th century.

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[186] London Metropolitan Archives, Harrisons & Crosfield (H&C), GB 0074 CLC/B/MS112-001, early trading ledgers for Harrisons & Crosfield, 1840-1890, (Hereafter H&C MS Series), see also Elementis plc History, see <http://www.fundinguniverse.com/company-histories/elementis-plc-history/>, (accessed, 25 August 2015).
[187] C Fox, 'Statistics of Tea Consumption', *Royal Statistical Society,* 57 (1894), p. 716. In 1892, of a global figure of 442,862,485lbs of tea consumed, 193,000,000 lbs was British grown.
[188] *The Grocer* published league tables of the leading firms of tea dealers based on the amount of duty paid between the years 1863 and 1867. Harrisons were placed third after Moffatt & Co. and Peek Brothers. Also see LMA GB0074 CLC/B/177, Peek Brothers and Winch Limited Archives.

Table 3.1: Harrisons Selected Figures taken from Balance Sheets 1863-94[189]

Year	Profit/(Loss) £	Tea Sales Turnover £	Total Turnover £
1863	8,784	32,021	34,430
1872	8,758	32,610	37,065
1879	6,836	37,458	37,507
1894	(3,526)	22,553	22,553

The table shows that, from 1863, despite increased turnover, profits declined until 1894, when a loss was reported. Tea sales peaked at 109,679 chests in 1879, but, by 1893, sales had fallen to just 67,852 chests. Moreover, market prices for the commodity slumped due to those rising imports. One can hazard a guess that a rapid rise in production in India (46.4 million tonnes to 188.6 million tonnes) and Ceylon (345,157 tonnes to 150 million tonnes) meant the market was well and truly saturated by the end of the century. A company report noted that the price yield from Indian tea imports (using average prices at London auction), had dropped from a high of one shilling and seven pennies in the 1860s (19d in old money) to just 7.35d in 1902, a fall of over 60 per cent.[190] The family owners had contrived to put all of its eggs in one basket in specialising in the tea trade as in 1879, coffee had disappeared from the accounts.[191] It was an error that Harrisons did not repeat. The company was now being managed by the sons of the founding partners, but they were devoid of ideas and consequently, business stagnated. At the end of the 19th century, the company was in trouble, and the family was forced to look for a solution or go out of business. That solution came from outside of the family.

The last of the original partners passed away in 1883 leaving the company in the hands of four surviving sons. However by 1890, reserve capital stood at just

[189] H&C MS37097, sales figures from company balance sheets for the years 1863, 72, 79 and 94.
[190] H&C MS37097, reports accompanying Harrisons annual accounts up to 1902. In old English money one shilling was equal to 12d (pennies).
[191] In interview, Henry Barlow explained that the European coffee crop for in west Malaya was destroyed by a combination of fungus (*Himalaya Versatrix*) and the larva of the Hawk Moth (*Sephonodias Hylas*). Interview with Henry Barlow, 6 August 2013.

£60,000 with trade in steep decline.[192] Finally, in 1894, new blood arrived in the form of Harrisons' first salaried partners, Charles Heath Clark and Charles Arthur Lampard. It was a first step on the road to business recovery, which occurred in part because of the separation of ownership from management functions. The first of the new partners, Clark, was a shrewd operator, and he took over the domestic end of the business. The more entrepreneurial Lampard was tasked with looking for new business overseas. In tea production, Ceylon had already surpassed China as world leader, and therefore in 1895, Harrisons opened a first overseas office in Colombo. Four years later, Lampard secured an interest in the Hopton tea estate in Passara, then owned by Finlays, a British FSC.[193] That allowed staff in London to brand Harrisons' own tea at a new warehousing facility on the Thames, aptly named Ceylon Wharf. More importantly, Harrisons now had a presence overseas and could buy direct from the estates. The Colombo offices doubled up as merchant sales outlets for British goods and other services required by local FSCs. The agency business spread company risk and enhanced the appeal of Harrisons to capital markets in London. The management thereafter took up the overseas Agency House mantle with vigour.

Agency work overseas proved to be very lucrative, and it was something in which several British companies became engaged, which leads on to the saga of the second Agency House selected by this thesis. Predating Harrisons overseas was Guthries, a merchant firm based in Singapore. Alexander Guthrie, in partnership with James Scott Clark, became the local agent for Coutts banking in 1830, London Fire Insurance in 1853 and London & Provincial Marine Insurance in 1961. Guthrie continued to steer the firm in that direction, and, by 1896, the company was the Singapore agent for six banks, five insurance companies and two shipping firms. Moreover, Guthries traded sugar, flour, cement, coffee, machinery, whiskies, beers, wines and spirits. The company also branched out into management services and looked after five coffee estates, three tobacco estates and twenty-three tin and gold

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[192] H&C MS112-001, figure extracted from early trading ledgers for Harrisons & Crosfield, 1890.
[193]H&C MS112-003/1, papers on purchase of part ownership share in the Finlays Hopton Tea Estate, Passara, Ceylon. The estate operates today as part of the Passara Group within Finlays. See <http://finlaysteaestates.lk/estates/passara/hopton-estate/>, (accessed, 25 August 2015).

mines.[194] At the end of the 19th century, Guthries was already an established, well diversified Agency House and better placed than Harrisons given the latter's, as yet, mainly London-based setup. In terms of corporate governance, the company had already separated ownership from management functions at the end of the 19th century, and, on 18 February 1903, Guthrie & Company Ltd was registered in the Singapore Straits Settlement with an opening balance of M$2,875,498.42 (£335,475). Later that same year, the firm opened offices at 52/54 Gracechurch Street, London, in conjunction with a merger with Scott & Company. Sir John Anderson, who first arrived in Singapore with his Scottish parents back in 1847, was installed as Governing Director.[195]

The final Agency House chosen for this thesis is the family-owned concern Thomas Barlow & Brother (Barlows). Much like Harrisons, which focused on the tea trade, Barlows was focussed on imports of a single commodity to Britain, in this case cotton. The founder of the company, Thomas Barlow, came from a family of yeoman farmers and first went into business with John Bolton in 1857 as Bolton & Barlow. Henry Barlow, the great grandson of Thomas, gave a concise account of the family story from that point forward:

> Then he [Thomas] struck out on his own just about the time that the American Civil War broke out and he succeeded together with other Manchester merchants in smuggling large quantities of cotton out from the blockade of the Southern States. It was trans-shipped in Bermuda where there was no banking system at that time and exactly what the mechanics were and how it was all arranged and paid for is an aspect of the American Civil War activities which appears to have received very little attention.[196]

Even before the outbreak of the US Civil War, though, there was a pattern to the cotton trade. After unloading at ports in North West England, the raw cotton was delivered to nearby factories and woven into textiles for export to Far Eastern markets like Calcutta, Shanghai, Singapore and Manila. The company posted excellent profits and, in 1859, Thomas Barlow assumed outright ownership of the company. He opened overseas offices in Calcutta to handle Barlow goods overseas

[194] Extract from web description for Guthrie Corporation Archives, School of Oriental and African Studies, London. See <http://archives.soas.ac.uk/CalmView/Record.aspx?src=CalmView.Catalog&id=GC&pos=1>, (accessed, 17 December 2015).
[195] Extract from Guthrie Corporation Archive cover page, SOAS, London.
[196] Interview with Henry Barlow, 6 August 2013.

and shipped tea back to Britain. It was then that Thomas Barlow hit upon the idea of using receipts for goods as security to buy consignments of tea and other commodities in overseas currency. It was a risky practice that nevertheless also brought substantial rewards, as Henry Barlow revealed: 'My great grandfather must have been up [liable] for about £7 million at a time when he can't have been worth more than about £500'. Barlow added that the business practice saw his great grandfather 'make his fortune but lost his health in the process'.[197] In 1876, the company opened offices in London primarily to manage tea sales and to look after the family's financial affairs. Thereafter in 1883, other offices were opened in Shanghai in the name of Barlow & Co. Unlike Harrisons and Guthries, Thomas Barlow bought a number of estates outright, a strategy that continued apace throughout the 19th century, as table 3.2 shows.

Table 3.2: Tea Estate Acquisitions by Thomas Barlow & Company[198]

Year	Tea Estates
1880	Castleton in Darjeeling, India
1890	Brae Group of Estates in Madulkelle, Ceylon
1898	Cooliekooksie in Assam, India
1898	Loongsoong in Assam, India
1898	Chingoor in Assam, India
Prior to 1899	Balijoorie in Upper Assam, India
Prior to 1899	Kopira in Assam, India
Prior to 1899	Dilli in Assam, India

From the table it is clear that Thomas Barlow bought tea estates as a means to supply downstream trade. Moreover, he acquired the Monastery Bonded Tea Warehouse in East London in 1889 to process imports and sell direct to the local markets. Again, as with Harrisons, it was a sizeable commitment, with the added issue that risk was placed on just one commodity.

[197] Interview with Henry Barlow, 6 August 2013.
[198] Barlow Archives, Box 4/1-2, Foreign Correspondence and other papers relating to tea plantations overseas.

In 1890, as Thomas's health deteriorated further, his son John took over the reins. John further expanded the company's interests in tea estates, as the table above shows. Perhaps heeding counsel on the dangers of limited business diversification, in 1891, Barlows bought a struggling Singapore merchant Scott & Company and, thereafter, forged ahead with agency work. From there, Barlow continued the practice of using receipts for goods as security to finance commodity purchases. Soon that included rubber. At around that time, Barlow was persuaded by a Singapore manager, J M Allinson, to extend credit to a number of struggling estates and traders locally. It was an inspired gamble as when global demand for rubber went through the roof, the company profited immensely. From its London offices, the company was well placed to undertake the job of listing client FSCs on the LSE. In 1906, furthermore, Barlows cobbled together a number of Malayan estates to form the Highlands & Lowlands Para Rubber Company.[199] As the listing agent, the family secured an interest of 16 per cent in the new company. The timing was extremely fortuitous as that listing came just prior to the great rubber boom of 1910.[200] Thereafter, like Guthries and Harrisons before, the business reputation of Barlows grew both in the FSC community overseas and in the City in London. However, unlike the other Agency Houses, the family retained control of the company by means of a secretariat in London. It was a corporate structure that survived over many years as Barlows emerged to be one of the most prominent Agency Houses to operate in Malaya.

The Private-Sector Ascent of the Agency House in Malaya

A major commercial strength in the Agency House business model could be found in an office presence both overseas and in London. That dual presence was attractive to the standalone FSC operating overseas as it provided local contact and more crucially, access to the City. For an FSC seeking to expand, access to capital was usually achieved by floating on the LSE as a limited company. Traditionally, that service was only provided by the issuing houses of London which dated back to the 17th century coffee houses. However, at the start 20th century, the Agency House

[199] Barlow Archives, Box 1/1-2, Home and Foreign Correspondence 1904-8. Company papers related to the purchase of Scott & Co and the formation of the Highlands and Lowlands Para Rubber Company.
[200] Interview with Henry Barlow, 6 August 2013.

could also offer those services. The fundamental difference and trump card in many ways was that the Agency House had a staff presence overseas, and therefore FSC management there could discuss matters directly and locally. At the same time, an Agency House could assess FSCs at the coal face prior to signing contracts. For the most part, that capability was outside the reach of London brokers. Moreover, when an Agency House undertook a listing on the LSE, a business relationship with client firms was formed which often led to other trade and merchandising contracts. This was another edge over London-bound issuing houses. When Harrisons opened its Colombo offices, the board moved fast to exploit those opportunities. On 14 June 1901, Harrisons was appointed as secretary for the listing of the Atlas Assurance Company on the LSE. Atlas was an established insurance broker specialising in the provision of policies overseas. Harrisons was also a sales agent for Atlas policies in South East Asia, a detail that highlights the commercial advantage of conducting business in the local setting.[201] For each company listing, the Agency House was allocated a percentage of shares at a favourable price. That was a particularly lucrative option if, as often happened, those client firms subsequently flourished as limited companies.

The Agency House corporate and business setup in its various forms continued to thrive overseas, so much so that, in 1910, it was estimated that the top third of British firms operating overseas (£4 million plus capitalisation) were engaged in agency work.[202] Moreover, when western economies toiled, it was the Agency House that stepped in to cover investment shortfalls in colonies like Malaya. In 1914, at the outbreak of the First World War, 85.8 per cent of all new investment in Malayan rubber was facilitated or provided directly by Agency Houses. In 1922, moreover, in the depths of the US post-war economic depression, the figure was 75.7 per cent. Even during the great rubber boom of 1910, when an unprecedented £8 million flowed to the Malayan estates, Agency Houses were still responsible for 36 per cent.[203] Agency Houses were thus consistent investors overseas despite

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[201] H&C MS112-004, companies Harrisons acted as secretary and agent, paper dated November 1903.
[202] Chapman, *Merchant Enterprise in Britain,* pp. 252-4.
[203] Richard T Stillson, 'The Financing of Malayan Rubber, 1905-1923', *Economic History Review,* 24 (1971), p. 594, the figures in Table 2 have been challenged by some however the basic argument that Agency Houses helped fund estate companies in Malaya is undeniable.

challenging economic downturns. They were key players, materially and financially, in the steady expansion of an estate industry overseas in colonies such as Malaya.

The board of Harrisons decided to specialise in the Malayan estates at an early stage. The company's first recorded public listing of an estate operator was in 1899, the Lenuva (Ceylon) Rubber and Produce Company. Equity options exercised by Harrisons often brought representation at board level. With each new listing, Harrisons' influence spread throughout a rapidly expanding, British-owned Malayan estate industry. Table 3.3 reveals the estate operating FSCs for whom Harrisons acted as secretary.

Table 3.3: Plantation Companies listed on the LSE by Harrisons 1903-37[204]

1900s	1910s	1920-30s
Pataling Syndicate (1903) Anglo Malaya Co (1905) Golden Hope (1905) Kuala Selangor (1905) Malaysia (1905) Castlefield (1906) Shelford (1906) Sungkhai Chumor (1906) Lanadron (1907) Nordanal (1907)	Cluny Rubber (1910) Djasinga Rubber (1910) Kenneth Kajang (1910) Killinghall (1910) Kinta Kellas (1910) North Labis Rubber (1910) Holyrood (1912) Hong Kong (1912) Kuala Krau Rubber (1918) Perak Coconut (1919)	Prang Besar (1921) Hoscote (1925) Sogomana (1926) Edensor (1927) Kemasul (1927) Doranakande (1931) Ledbury (1937)

The table spans a 35-year period, revealing the scope of Harrisons' work in company flotations. All estates were located in South East Asia, and most were in Malaya. The estates listed above are clear evidence of the Harrisons' stake in the Malayan estate industry. Unfortunately there are no corresponding records for Guthries, however, the company was doubtless just as active. A minute book produced by the Singapore offices provides indirect evidence of this, stating that 'the company has been able to secure the appointment as Secretaries and Agents for a number of these in return for assistance rendered in their flotation'.[205] The Barlows stake also grew rapidly in the first decade of the century, as Table 3.4 clearly shows:

[204] H&C MS 37007A, Agreements with secretarial and other companies, 1903-37. Also, *the Golden Hope Story, 1844-2007*, (Kuala Lumpur: Golden Hope Plantations Berhad, 2007), p. 18.
[205] Guthries G/MIN/1: Minute book of Guthrie & Company Ltd. Company agency and secretarial work, p. 27.

Table 3.4: Barlows' Principal Estate Companies by Year of Listing on LSE[206]

Year	Estate Company Name
1903	Sapong Rubber Estate Ltd
1904	Sungie Krian Rubber Estate Ltd
1904	Krian Rubber Estates Co Ltd
1904	Sagga Rubber Co Ltd
1906	Manchester North Borneo Rubber Ltd
1908	Sekong Rubber Co Ltd
1909	Ayer Kuning (FMS) Rubber Co Ltd
1909	Bradwell (FMS) Rubber Estates Ltd
1909	Chersonese (FMS) Estates Ltd
1909	Kablang Rubber Co Ltd
1909	Muar River Rubber Co Ltd
1910	Majedie (Johore) Rubber Estates Ltd
1910	Permas Rubber Ltd

The list above does not include the Highlands & Lowlands Para Rubber Company, which, at 60,000 acres, was by far the family's biggest asset. By 1917, five British Agency Houses held sway over two-fifths of all estate land in Malaya. Of that five, Guthries and Harrisons were the most prominent, with Barlows not far behind.[207] These Agency Houses thereafter, became key players in the global rubber market, not least through their role in the estates that grew the commodity in Malaya. Their role was central in making Malaya home to a vast rubber industry.

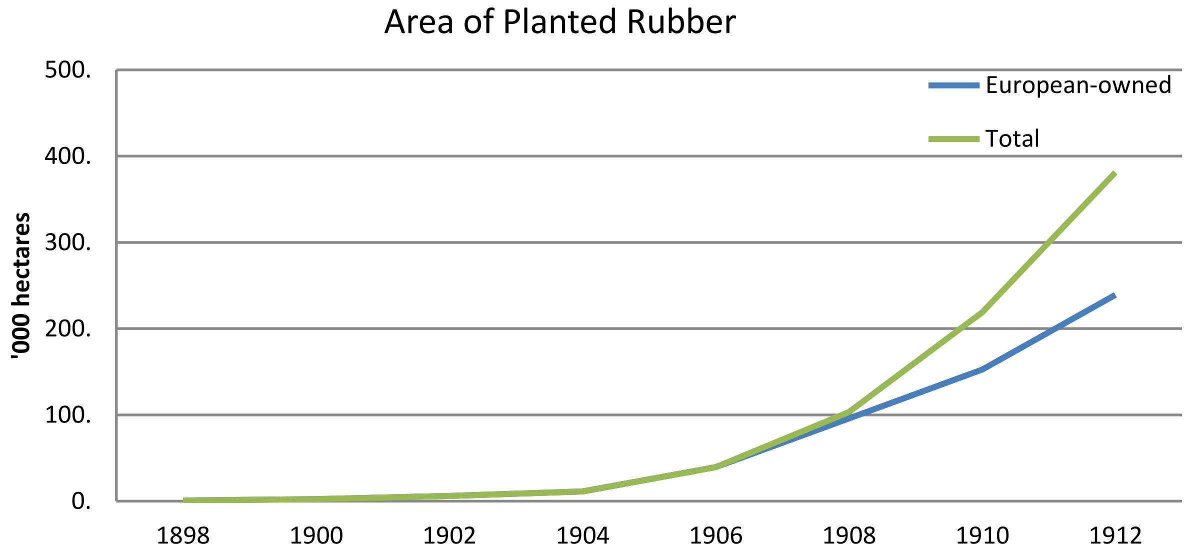
The Malayan Rubber Industry

It is thought that rubber was first planted in Malaya in late 1876 with seeds (*Hevea brasiliensis*) transported from Brazilian tropical forests via Kew Gardens in London to Ceylon and finally on to the Botanic Gardens at Singapore.[208] A decade passed before commercial planting took place in Malaya and during that time supplies

[206] Barlows Box 2/1-2: Home Correspondence and letters relating to company estates in Malaya.
[207] Tate, *RGA History,* p. 251. The other two companies were Boustead Bros and Edward Boustead's. Of the five, Harrisons, Guthries and Barlows held the lion's share of estate interests at this time in Malaya.
[208] Bauer, *the Rubber Industry*.

mainly came from trees growing wild in the Amazon.[209] However, supply was limited, there being no estate culture in South America. By 1899, an estimated one million trees had been planted on British-owned rubber estates in Malaya.[210] The timing was ideal as demand for rubber soared on the back of a new US automobile industry. In 1902, total rubber producing land in Malaya was just 2,400 hectares. A decade later the figure was 239,200 hectares, an almost a 100-fold increase.[211] Most of that growth was driven by European (mainly British) FSCs, as Graph 3.1 confirms.

Graph 3.1: Land Area of Estate-Grown Rubber in Malaya, 1898-1912[212]



The graph shows that the development of estates to grow rubber in Malaya, which also heralded a meteoric spate of land clearance. By 1920, land cleared had doubled again and the Malayan estates now produced around 400,000 tonnes of rubber. That figure dwarfed the South American total of 28,000 tonnes. It was a production lead that the Malayan industry never surrendered, and, even today, the wider region of South East Asia supplies around 92 per cent of the world's natural

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[209] Barlow, *Natural Rubber Industry,* p. 16. In 1900, world production of rubber stood at 45,000 tonnes, of which some 28,000 tonnes came from South America and 16,000 tonnes from Africa.
[210] Barlow, *Natural Rubber Industry,* p. 22.
[211] H&C MS37152, planted acreage in Malaya: 1905-12. Also, David Figart, 'the Plantation Rubber Industry in the Middle East', *Crude Rubber Survey,* (Washington: US Department of Commerce, 1925), p. 277.
[212] Barlow, *Natural Rubber Industry,* p. 26. Figures extracted show that in 1920, Total planted rubber stood at 882,700 hectares of which 478,400 hectares were European-owned estates and 404,300 hectares, Asian.

rubber.[213] The chapter now takes a more detailed look at Harrisons, which played a particularly important role in Malayan estate developments.

Harrisons and the Malayan Estates

Harrisons' first recorded foray into the Malayan rubber industry took place in 1902 and coincided with the appointment of Herbert Wilford Brett to the board of directors. Brett had recently purchased 2,000 acres of estate land at Pataling near Kuala Lumpur and planned to grow coconut, not rubber. Spiralling demand for the latter commodity persuaded Brett to amend his plans, and, on 24 March 1903, the Pataling Rubber Estates Syndicate was floated on the LSE. As secretary for that listing, Harrisons exercised an option to purchase £1,000 in shares.[214] The director who oversaw the contract was one Eric Miller. It was Miller who would rise through the ranks to become chairman of Harrisons, and he retained his association with Pataling until he passed away in 1958 (he was still chairman). In 1905, rubber reached a new high of 6 Shillings per pound, double the price five years earlier.[215] Encouraged by unrelenting US demand, Harrisons parcelled together a number of small estates in 1905 and floated them as the Anglo-Malayan Rubber Company Ltd. That listing was followed by the Golden Hope Rubber Estate Ltd, also in Malaya. Golden Hope is worthy of note here as it was an independent company until 2008, when finally subsumed into the vast estate holdings of the Malaysian conglomerate, Sime Darby.[216]

The Harrisons' board was now committed to development of business in Malaya and especially the trade in rubber. In 1907, offices were opened at 70 Jalan Ampang, Kuala Lumpur, to handle increasing trade in the name of Crosfield, Lampard & Company.[217] That was a shrewd investment as the price of rubber kept on climbing. In 1908, Harrisons itself was listed on the LSE, and James Blackhouse

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[213] Natural History Museum, *Seeds of Trade: Rubber,* see < http://www.nhm.ac.uk/nature-online/life/plants-fungi/seeds-of-trade/page.dsml?section=regions&region_ID=1&page=spread&ref=rubber>, (accessed, 25 May 2012).

[214] Funding Universe, *Elementis plc History,* see <http://www.fundinguniverse.com/company-histories/elementis-plc-history/>, (accessed, 12 March 2015). Pataling Rubber Estates Syndicate was floated on 24 March 1903 with a nominal capital of £30,000.

[215] J C Kunhardt, *An Analysis of the Statistical Position of Rubber,* (London: W H Rickinson & Son, 1921, p. 41.

[216] Interview with Henry Barlow, 1 July 2015. Barlow was responding to a first draft of thesis by author.

[217] *Golden Hope Story,* p. 15.

Crosfield, grandson of the original partner, was installed as chairman. The transition from family-owned firm to joint-stock company was now complete. The value of share capital issued was just £150,000, a figure well short of true company value: when realisable assets and other share interests were accounted for, the true financial worth of Harrisons was very much higher.[218] Unsurprisingly, no third party underwriting of capital was needed for the listing. The flotation took place in the same year when the wild Amazon trees were hit by leaf blight and rubber output in Brazil stagnated.[219] The British and Dutch estates in South East Asia seized on the chance to expand and, in doing so, achieved near monopoly market conditions of trade thereafter. The launch of the Model T Ford in October 1908 saw demand for rubber soar further, and prices went through the roof. This was the boom era for rubber during which estate operators in Malaya realised enormous profits.

In 1908, shareholders in the Pataling Company were awarded a dividend of 45 per cent, followed a year later by an incredible 125 per cent. Those awards paled in comparison when London prices remarkably reached a new high of 10 shillings per pound in 1910, which was around 150% higher than comparable prices for the commodity in 1908. In that same year, the Pataling board sanctioned an astonishing 325 per cent dividend to shareholders.[220] As significant holders of equity in a number of estate companies, Harrisons benefited immensely. Moreover, it became standard practice for client companies to take out exclusive merchandise contracts with Harrisons. Other divisions of business in Malaya also saw profits rise, most notably land conveyancing, book keeping, agency work and legal and insurance services. It was a win/win arrangement for the Agency House as contracts for one professional service often led to many others. In financial terms, the job of listing those companies on the LSE delivered commissions of between 2.5 and 5 per cent.[221] Harrisons converted much of that into equity. That long-term investment

[218] See Geoffrey Jones and Judith Wale, 'Diversification Strategies of British Trading Companies: Harrison & Crosfield, c. 1900-c.1980', *Business History,* 41 (2006), p. 72. Here the authors try to put a figure on the 'real' net assets of Guthries and Harrisons by taking account of those companies largely controlled by the Agency Houses. For Harrisons the figure was around £10.8 million in 1922 while for Guthries it was £5.1 million.
[219] Amazon rubber production was devastated by a tree disease (South American Leaf Blight) which destroyed the crop in many areas. Seeds taken to Kew (and onto South East Asia) did not contain the blight.
[220] Kunhardt, *Statistical Position of Rubber,* p. 41. Malayan total area planted was 207 thousand acres in 1910 (eight thousand in 1904). Rubber prices were at this point $3.06, around five times that of ten years earlier.
[221] Tate, *RGA History,* p. 251.

strategy in rubber estates was beginning to pay off. A list of estates and the decade in which Harrisons first secured equity in them is shown in Table 3.5.

Table 3.5: Harrisons First Recorded Share Purchases in Selected Estates*[222]

1900s	1910s	1920/30s	1950s	1960s
Ayer Molek Bagan Datoh Begerpang Braemar Cluny Diamond Jubilee Dusun Durian Golden Hope Klang River Linsum Pataling (Victoria 1865) Plang Simpang Semenyih Shelford Sungei-Mahang Sungei Wangi	Prang Besar Rambong Sialang Rompin Selaba Sialang St Helier Sungai Samak Tamock Tangkah	Balgownie Batang Benar Bilham Bukit Pilah Edensor Elphil Kelpin Kemasul Lanchang Mentakab Pernambang Selaba Sepang Selangor Sogomana Sungei Sebaling Tangkah Ulu Ayer Tawar Welch	Anglo Malay Bikam Klanang Bahru Lumut New Crocodile Strathisla Tai Tak	Bukit Kajang Jugra Land & Carey Lanadron Nordanal Oriental Prang Besar Straits

* The estates are listed by the decade in which Harrisons first purchased shares.

All of the estates listed in the table were located in South East Asia and the majority in Malaya and Sumatra. Moreover, all but two, Rambong Sialang and Sungai Samak, grew rubber (the two named estates grew oil palm). One historian claimed that, in 1914, Harrisons held a large number of shares in 40 estates which included representation at board level.[223] Unfortunately, there are no records to reveal the full extent of Guthries' holdings, however a sheet produced later by the Singapore offices listed interests in 31 estate companies in South East Asia.[224] For Barlows, the Highlands Group was made up of 21 estates with another 13 smaller estates

[222] See *Golden Hope Story* and Harrisons archives, MS 37017 series and MS37389, historical notes. There may be some duplication or indeed, missing data from the list above as there are no conclusive papers on estate holdings in the archives, however the annual accounts do list estates by name and amount of equity held therein. The list above is therefore constructed using data from both the book and AGM papers.
[223] Rajeswary A Brown, *Capital and Entrepreneurship in South-East Asia,* (London: Palgrave MacMillan, 1994), pp. 57-8.
[224] Guthries G/MIN/2: Loose paper included in final accounts for company estate holdings produced by Singapore offices for FY 1961.

listed separately.[225] The business reach of all three Agency Houses across Malaya's estate industry was obvious through these extensive equity holdings. The strategy of the Harrisons' board was to accumulate significant though minority shareholdings in estates rather than outright acquisition. That strategy lowered risk and allowed for investments to be made elsewhere. Tate contended that this flexible approach to business was the 'real secret of the success and ascendency of overseas merchants as agency houses for the new rubber plantations.'[226] As the pre-eminent Agency Houses in Malaya, Barlows, Guthries and Harrisons confirmed Tate's claim. The management of each Agency House was now well placed to exert control and influence over the future direction of the Malayan rubber industry.

To better manage equity holdings, in 1906, the Golden Hope Rubber Estate Ltd was formed as a holding company for shares held in estates located in Selangor, Malaya. A year later, London Asiatic Rubber and Produce Company Ltd was listed to manage interests in Malacca, Perak and outliers in Ceylon, India and elsewhere. A third company, Pataling Rubber Estates Ltd, was formed in 1920 to hold shares for estates on the Klang River near Kuala Lumpur. Those holding companies, Golden Hope, London Asiatic and Pataling, thereafter became known as the 'Three Sisters'. On the corporate side, the last family members did not last long into the 20th century. In 1911, James Crosfield, the company chairman, retired. He was followed into retirement by Charles Harrison in 1915. Finally, Hugh Theodore Crosfield, the last direct descendent of the original partners, left to join Twinings in 1916 and took with him the packaged and wholesale tea business (although the company's shareholding in Ceylon and India remained with Pataling).[227] Harrisons had now severed all links to the original partners, and the firm's future was in the hands of a salaried board of directors and answerable to shareholders. The board was convinced that the company's future lay overseas, which was perhaps why the tea trade in Britain was allowed to go out of the door with Hugh Crosfield. That focus

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[225] Barlows Box 2/1-2: Home Correspondence and letters relating to company estates in Malaya.
[226] Tate, *RGA History,* p. 251.
[227] H&C MS37394, also MS112-054, 103 and 124, papers dated 1899 – 1960. These boxes contain historical papers on company transactions and business interests examined to complete the early business history of Harrisons. For a reasonably concise history of Harrisons see, <http://www.fundinguniverse.com/company-histories/elementis-plc-history/>, (accessed, 25 August 2015).

overseas was vindicated by consistent annual profits over the course of the next decade, as Table 3.6 reveals.

Table 3.6: Harrisons Annual Report of Company Profits 1909-24[228]

Year	Profit £	Year	Profit £
1909	47,969	**1917**	151,839
1910	129,155	**1918**	156,530
1911	176,372	**1919**	115,701
1912	186,063	**1920**	97,070
1913	148,217	**1921**	164,466
1914	158,148	**1922**	149,138
1915	187,833	**1923**	192,710
1916*	196,596	**1924**	309,001

*85% of the London staff was released by the company to join HM Forces

Annual profits posted by Harrisons reveal that, despite losing so many employees to the armed forces during the First World War, financial returns were, relatively speaking, unaffected. By 1924, company profits were still rising and far above previous years. Business was financially sound and managed by a board of directors with a proven track record. Harrisons was a well-positioned Agency House both at home and overseas, with the people and financial means to tackle the challenges that lay ahead in Malaya.

Turning to Guthries, the company posted a loss in 1908, but returned to profit in subsequent years. Of course, Guthries was still headquartered in Singapore where business was perhaps not subject to the same rigours as companies listed on the LSE. In 1911, the Singapore offices reported that the independent auditor of accounts had raised serious concerns about the transparency of company share transactions.[229] The report went on to censure Guthries for share deals during the great rubber boom of 1910. That lack of regulation overseas may explain why

[228] H&C MS370201, figures extracted from Report on Annual Accounts, 1909-24.
[229]Guthries G/MIN/1. The figures are extracted from Guthrie & Company Ltd, Singapore minute books

Guthries' management chose to register in Singapore rather than London. In any case, a profit of £185,966 reported in 1916 generated a bonus for staff. The gesture was repeated a year later when a profit of £275,349 was reported. Over the next two years, 1918-19, Singapore posted further profits of £279,722 and £265,177. Despite war in Europe, business was booming in Malaya. However, even at this early stage, it was obvious that Guthries was highly reliant on Malaya for business and revenue. Harrisons, in contrast, had one eye on business opportunities elsewhere in order to balance a worrying over-reliance on the Malayan estate industry.

In 1920, Harrisons held a significant number of shares in twenty-three estate FSCs on the Malay Peninsula. The company had also secured a controlling interest in a smaller Agency House, the Singapore-based Barker & Company. That company held equity in forty two local estates and a further thirty four in Penang. All estates were operated as standalone companies or FSCs and, many were listed on the LSE. Company papers reveal that Harrisons also provided day-to-day estate management, logistical support and secretarial services to almost all of them.[230] There were estate interests elsewhere, notably twelve in Sumatra, ten in Ceylon, five in Java and two in Borneo, but there was clearly an emerging geographical imbalance in the business. To try and address that growing dependency on the Malayan rubber industry, the board acquired a majority holding in the China Borneo Company in 1920. This brought with it exclusive logging rights to the jungles of Borneo (then part of the British and Dutch Empires). It also offered an opportunity to explore the downstream trade in timber. Management also sold off some minor interests in tobacco plantations to Dutch firms in 1921, claiming that the company lacked sufficient expertise in the crop. Thereafter, the board diversified into coconut palm in the Philippines and Ceylon, where production reached one million tonnes in a decade due to rising demand for margarine as a result of butter shortages in the west. The board geographically diversified further afield in 1922, when it opened offices in Canada, primarily to handle sales of imported rubber from the estates. That North American market entry would, in later years, provide the company with a foothold from which to pursue business in new industries. In something of a

[230] *Golden Hope Story,* pp. 3-5, and H&C MS37378/002, paper on company holdings titled, 'Sphere of Influence', hand-written on back, 1927.

departure from that celebrated cautious approach to asset ownership, Harrisons bought the Wilkinson Process Rubber Company in 1926. That secured exclusive patent rights to Linatex, a vulcanized rubber compound still used today in the manufacture of robust and pliable piping for the mining industry.[231]

A company report from the time was entitled 'Sphere of Operations' and set out the geographical scope of Harrisons' business overseas. London Headquarters oversaw branches in Calcutta, Colombo, Kobe, Medan (Sumatra), Kuala Lumpur, Montreal, New York, Quilon (India), Sandakan (Borneo) and Vancouver.[232] There is little doubt that the majority of business still gravitated toward Malaya and its rubber estates. However, it is worthy of note here that the directors of Harrisons appeared to be well aware of the dangers inherent in focussing on a single line of business and were therefore investing in other sectors to spread risk. That broad approach to commercial strategy to ensure business survival was not so obvious in the behaviour of the directors of other Agency Houses.

Estate Monoculture vs. Crop Diversification

In the Malayan estates, rubber remained the crop of choice despite the commodity's volatility in demand and, therefore, price. In that respect, it was surprising to find in the archival records that both Harrisons and Guthries had early opportunities to pursue crop diversity on those estates, and that they took them. In the 1920s, two estates in the Harrisons' stable grew oil palm, Rambong Sialang in Sumatra and Sungai Samak in Malaya. Around that time, Guthries also acquired two oil palm estates in Malaya, the Elaeis and Liniggi Plantations. Although production on all four estates was consistent, however, neither company appeared willing to plant oil palm elsewhere. Perhaps at this time, management was not fully appreciative of the potential in palm oil, or perhaps of its suitability to the Malayan environment. Of course, it could have been that each board thought demand was insufficient to justify

[231] H&C MS112-165, Wilkinson's was registered in 1926 in Kuala Lumpur to produce Linatex and other crepe rubber at a factory at the Batu Caves, Selangor in Malaya. It was partly owned by Harrisons and Crosfield Limited (MS112-001-016). Harrisons and Crosfield (Malaya) Limited (CLC/B/112-071) acted as secretaries for the company and, from 1930, were sole concessionaires in Europe of products. In 1966 the company name was changed to Wilkinson Process Rubber Company Berhad, and in 1990 to Linatex Process Rubber Berhad. In 1989 Harrisons and Crosfield became the majority shareholder.

[232] H&C MS37378/01, Overseas Property Holdings: Sphere of Operations, 1929.

replanting rubber with oil palm. Marcus Gent, the last British chairman of Guthries, was asked about that:

> Only the Danes [United Plantations] and one other group [Harrisons] had oil palm estates pre-war [including Guthries]. They were fairly unprofitable and it was thought that oil palms would only grow on wet, coastal, clay soils.[233]

The 'fairly unprofitable' remark made by Gent is questionable as Harrisons and Guthries papers reveal that those oil palm estates were certainly profitable.[234] Moreover, given the constant price volatility of rubber, it raises the question: why did neither Agency House consider further experimentation in oil palm? In defence of Harrisons, the board did not hold controlling positions in client estate operators. That said they did hold considerable influence at boardroom level. The same defence cannot apply, however, to Guthries or indeed Barlows as those companies owned a number of estates outright. Perhaps the argument was that oil palm was a West African native where, at the time, Nigerian production satisfied market demand. As such, there is no mention in the Harrisons' papers about crop diversification at that time.[235] In the case of Guthries, in 1929, the chairman responded to a letter from Lady Anderson (widow of Sir John Anderson and majority shareholder), on the very subject of planting oil palm. Part of John Hay's response read as follows:

> As regards Palm Oil, we cannot afford to lock up our own capital in that direction, as one unit alone necessitates the provision of a very large sum. Through our associated companies we are, however, practically the pioneers in Malaya of the cultivation of this product on a large scale.[236]

Hay seemed to allude to the fact that estate operators were actually nervous about committing capital at a time when the price of rubber was extremely unpredictable. Hay did acknowledge Lady Anderson's point on the dangers of relying on one commodity though it did not persuade him to plant more oil palm. As a result, the Malayan estates continued to focus on rubber and sought efficiency savings to give

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[233] Marcus Gent, email dated 1 November 2013. Responses to questions sent by author.

[234] H&C MS37946, Annual Reports and Accounts for Allied Sumatra Plantations Ltd. Guthries G/OPM/10, Oil Palm Malaya Accounts.

[235] H&C MS37587-627, Harrisons: Secretarial, Agency and other Agreements. These papers were produced by offices in Kuala Lumpur and Singapore and cover interests in Malaya from 1909 until 1945. There is nothing in the papers to indicate that management were considering a level of diversification into palm oil at that time.

[236] Guthries G/MIS/9, personal letter from Sir John Hay, chairman to Lady Anderson, widow of Sir John Anderson, former Governor Director of Guthrie & Co Ltd, (the Anderson family held 80% of Guthrie share capital), 8 June 1928.

each an edge over rivals. That had limited success as, despite extensive research, the market price of rubber remained the dominating factor throughout. Even at the height of the rubber boom in 1910, price volatility had wreaked havoc on the finances of many estate operators. That lesson most probably weighed heavily on the minds of those holding the purse strings, hence the extremely conservative approach to new crops. In many ways, the episode ran contrary to the spirit of those early trail-blazing British FSCs that gambled all on business ventures overseas. The issue surrounding rubber prices continued to dominate the industry for a number of years.

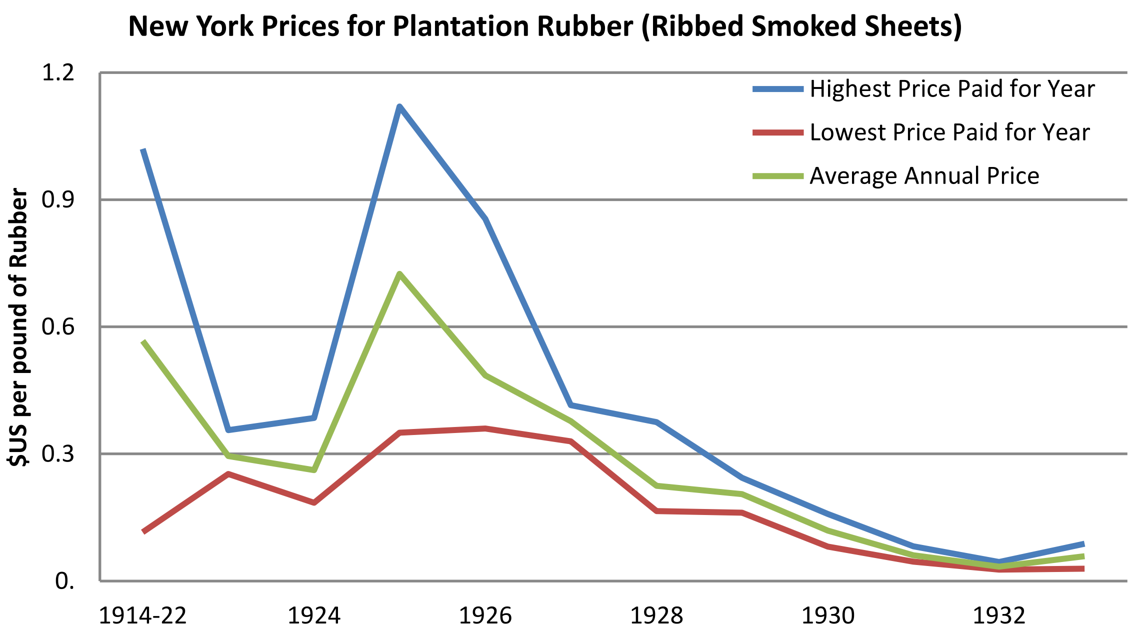
In an attempt to harness the collective strength of estate operators globally, the Rubber Growers' Association (RGA) was formed in June 1907. Some 250 companies, including the Agency Houses studied here, signed up, and thereafter the RGA became the central and London-based voice of the industry. In July 1912, the RGA was incorporated as a limited company and thereafter reported directly to government; a testimony of the importance of rubber to the British economy.[237] Over-supply and price volatility were the two main, though connected, issues facing the industry. Therefore, at the end of the First World War, the Agency Houses used the RGA as a means to lobby government directly. It was Harrisons' Eric Miller who came up with a plan to manipulate rubber prices by regulating supply. That plan is examined in more detail later in the chapter. In any case, working through the RGA, Agency Houses successfully positioned the estates at the centre of British government policy as a means to achieve wider economic and political goals.

In the inter-war years, British economic policy was, like that of much of the world, greatly influenced by consumer demand in the USA. The US was, by far, the rubber industry's main customer. In a two month period in 1922, the US consumed 47,640 tonnes of rubber while Britain and Germany, the next two big importers, consumed 15,000 tonnes apiece.[238] The price of rubber, although ostensibly set by the Singapore market, was guided by prices on the Rubber Exchange of New York, where the majority of transactions took place. The separate London commodity market merely mirrored New York prices in sterling. Most US imports of rubber were

[237] Rubber Growers' Association Archives: LMA CLC/B/194/MS24863/001, Council Minute Book, 1907-13.
[238] H&C MS37152, company paper dated 17 July 1922.

destined for the automobile industry, which, in 1910, passed the one million car sales mark in North America alone.[239] Encouraged by buoyant demand, more British firms entered the industry and established rubber estates in Malaya. A Harrisons report in 1910 estimated that in the Federated Malay States, rubber covered 362,853 acres; and, of that figure, the 435 British-owned estates accounted for 245,774 acres.[240] By 1917, world production was 270,988 tonnes; and, of that total, South and Central America and Africa accounted for just 56,588 tonnes. Malaya alone produced 134,778 tonnes.[241] US demand did not abate, which encouraged further British investment in Malaya as more land was cleared for estates. Barlow estimated that of the $359 million invested in the Malayan rubber industry in 1913, 85 per cent came from Britain.[242] A subsequent and somewhat inevitable global economic depression following the First World War caused wild swings in prices, as Graph 3.2 shows.

<u>Graph 3.2: Annual Plantation Rubber Prices (High and Low) 1914-33</u>[243]



The graph shows that the price of rubber swung back and forth wildly from a high of $1.02 to a low of 11.5 cents per pound between 1914 and 1922. At that time, British

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[239] Colin Barlow, Sisira Jayasuriya and Tan C. Suan, *The World Rubber Industry,* (London, Routledge, 1994), p. 7.
[240] H&C MS37152, Statistical Report Table 1:Agricultural Acreages in the Federated Malay States 1910.
[241] Tate, *RGA History,* p. 349.
[242] Barlow, *Natural Rubber Industry,* p. 35.
[243] Frank A Howard, *Buna Rubber - The Birth of an Industry,* (New York: D. van Nostrand Company, Inc., 1947). Figures from U.S. Tariff Commission Report No. 6, September, 1944. Also, see line graph in Barlow, *Natural Rubber Industry,* p. 10.

estates in Malaya produced around half of global supplies.[244] The graph also shows the start of a more sustained move downwards in price despite a short-lived rally in 1924-5. At the end of the Great War, a report written by Eric Miller of Harrisons went a long way to convincing the British government that higher rubber prices were good for the economy and could help offset outstanding debt with the US. Subsequent overproduction in Malaya and the Dutch East Indies, however, again saturated the market in the early 1920s, which was exacerbated by a global economic crisis. As a result, all of the estates within Harrisons' London Asiatic group cut their workforce by a fifth, an action that was widely duplicated across the industry as a whole.[245]

Guthries' Singapore offices reported a huge loss of M$5,253,200 (£583,689) in 1920 and a negligible profit of just M$5,229 (£581) in 1921, followed by a further unrecorded loss in 1922.[246] Under pressure from members, the RGA stepped up lobbying to persuade government to intervene. On 1 November 1922, an export tax and voucher scheme was introduced to restricted estate output.[247] That scheme was known as the 'Stevenson Plan' and would run from 1923 to 1928. The plan's main architect was, again, Eric Miller of Harrisons.[248] All British estate operators signed up to the plan and production was cut by an average of 40 per cent in Malaya. Moreover, as rubber supplies were processed through London, any subsequent release of stock to the market was strictly regulated by the RGA. The price of rubber climbed as a result, and, in response, US firms sought alternative means of supply. The tyre manufacturer, Firestone, invested in estates in Liberia, however production was not consistent and sourcing land was an issue which harks back to colonial policy in Nigeria. US investment in South American estates,

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[244] Barlow, *Natural Rubber Industry,* natural rubber production on Peninsular Malaysia in 1920 was 177,000 tonnes against a global production figure of 358,000 tonnes. Figures have been extracted from Table 2.3 on p. 34 and Appendix Table 3.1, p. 442.

[245] See *The Straits Times,* 26 July 1921. This untitled article reports that Harrisons were forced to dispense with the services of 157 estate assistants in Sumatra due to the slump in demand for rubber.

[246] Guthries G/MIN/1, Minute Book of Guthrie & Company Ltd, approximately £1 = M$9.

[247] Barlow, *Natural Rubber Industry,* pp. 42-3.

[248] Funding Universe, *Elementis plc History,* see <http://www.fundinguniverse.com/company-histories/elementis-plc-history/>, (accessed 25 August 2015). Eric Miller, previous chairman of Harrisons, was a main architect of the Stevenson Report, which proposed regulating the release of rubber stocks to the market at the end of World War I. Miller, with close links to bank executives in the City, was a born diplomat who convinced Churchill that sales of rubber to the US would help pay off Britain's war debt. The plan was to restrict production in Malaya, India, Ceylon and the Dutch East Indies and thereby drive up world prices, p. 4.

moreover, saw most trees destroyed by the region's Leaf Blight.[249] The underlying difficulty for US firms was that all of those alternative supply ventures were small scale when compared to the estates in Malaya. Therefore, regardless of that significant investment overseas, the US factories remained very much dependent on rubber from South East Asia.

The Stevenson Plan was beginning to look like a master stroke by Miller, until the Dutch estates in Indonesia and Borneo refused to sign up. Rubber was then smuggled from Malaya to the East Indies and exported alongside Dutch supplies. As a result, prices remained volatile, reaching an all-time high of $1.12 lb in 1925 only to bottom out at $0.165 lb three years later.[250] The Stevenson Plan finally collapsed after the US ramped up pressure on the British government. Thereafter the industry returned to free market supply, before prices crashed again in 1929. Many estate operators in Malaya went out of business and the best were bought out by larger, more financially robust companies. Those buyers included the Agency Houses.

Estate Consolidation and the Agency Houses

What followed was another round of consolidation in the Malayan estates during which all three Agency Houses were active.[251] Both Guthries and Harrisons propped up a number of estates through large share purchases. Furthermore, in the financial markets, Harrisons was not averse to speculating on shares held in the estates. A department dedicated to that activity published a weekly report for senior management in London. Some selected figures from those reports are reproduced in Table 3.7.

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[249] Barlow, *Natural Rubber Industry,* p. 105.

[250] Barlow, *Natural Rubber Industry,* p. 10. This table reveals the violent price swings in natural rubber, most specifically during the time-period 1900-40.

[251] *The Straits Times,* 'Rubber Companies to Amalgamate', paper article dated 8 December 1933. This article reports that Harrisons intend to merge three rubber companies in Malaya, Bikam, Sungkai and North Labis.

Table 3.7: Harrisons Profits from Share Transactions Extract 1924[252]

Week Ending	Profit (£)
29 February	16,064
30 May	17,520
25 July	30,412
31 October	10,425
28 November	17,945
24 December	30,986

The table reveals that 1924 was a particularly good year to speculate on the markets and, according to the figures above, it was a lucrative side-line business for Harrisons. Papers accompanying these returns also disclosed the extent of Harrisons' stake in the estates. A 1924 report written by company stockbrokers, Branston & Gothard, listed prices of shares held by Harrisons in 80 different estate companies.[253] All of those shares were allocated to individual directors and held in trustee accounts.

Turning again to Guthries, in 1925, trade had improved which is reflected in the profits posted and reproduced in Table 3.8.

Table 3.8: Guthries (Singapore) – Annual Accounts and Dividends 1925-27[254]

Year Ending	Profit £*	Dividend Award %
1925	72,376	15
1926	75,786	17.5
1927	71,031	20

*Figures converted to sterling using an exchange rate of £1 = M$9

[252] H&C MS37021/8, selected weekly entries for Harrisons share dealings in 1924.
[253] H&C MS37021/8, letter from Branston & Gothard attached to end of year report for equity holdings of Harrisons, dated 19 December 1924.
[254] Guthries G/MIN/1, figures extracted from Minute Book of Guthrie & Company Ltd.

As the table shows, business operations in Malaya were going well during the mid-1920s and allowed the board to award generous dividends to shareholders. Overall, Guthries was in good shape and, despite recent challenges, displayed the resilience and business qualities that set the Agency House apart from other types of firms. Barlows also survived intact, although the family business was on a more risky footing than others as estates in the Highlands and Lowlands Group were owned outright.[255] However, consistent profits from other areas of business shored up the estates during difficult times, which, in many ways, vindicated the diversified approach to trade championed by the Agency House. Unlike that of Guthries and Harrisons though, Barlows' commercial future was not so assured, and indeed Henry Barlow often remarked in interview about the strain his father endured while fighting to keep the family business afloat.[256] Of the three Agency Houses, Harrisons continued to stand out and reported very impressive and consistent profits over the next decade, as shown in Table 3.9.

Table 3.9: Harrisons Annual Report of Company Profits 1925-38[257]

Year	Profit £	Year	Profit £
1925	347,608	**1932**	282,361
1926	414,848	**1933**	323,317
1927	447,555	**1934**	390,854
1928	432,112	**1935**	402,839
1929	485,521	**1936**	412,649
1930	456,475	**1937**	474,029
1931	343,432	**1938**	489,841

The table shows that despite the onset of a global economic depression, Harrisons' directors ran a tight ship. The consolidated figures above, however, hide the fact the Malayan estates posted three consecutive losses for the years 1930 to 1932. During

[255] Barlows Box 58/1-2, papers on Highlands & Lowlands Estates. Financial statements for individual estates.
[256] Interview with Henry Barlow, 6 August 2013.
[257] H&C MS37020/1, figures extracted from Report on Annual Accounts, 1925-38.

that time, the company was regularly forced to extend credit and loans to struggling estates to 'tide them over'.[258] That aside, profits reported were still impressive and proved that overall, business was resilient and capable of absorbing global economic downturns and price volatility in rubber. There still remained a question mark, though, over Agency House reliance on those Malayan estates.

In the late 1930s, Harrisons' commercial setup was certainly more diversified than the other Agency Houses operating in Malaya, however the majority of business was connected, in one way or another, to rubber. A more detailed breakdown of the 1938 accounts revealed that 80 per cent of company profits were generated by the estates division.[259] Of course, Harrisons was not alone in that regard as Guthries and Barlows were more entrenched in the Malayan estates. External threats to the estates largely caused by erratic demand for rubber in consumer nations, played havoc with prices. That point was well demonstrated in returns for a Guthries estate bought in 1925 for £61,000.[260] The LSE registered United Temiang Rubber Estates Ltd., suffered wild revenue swings during the Stevenson Plan, as Table 3.10 shows.

Table 3.10: United Temiang Rubber Estates Annual Profit/(Loss) 1925-40[261]

Year	Profit/(Loss) £	Year	Profit/(Loss) £
1925	26,371	**1933**	258
1926	54,305	**1934**	5,569
1927	34,175	**1935**	10,101
1928	8,136	**1936**	13,720
1929	16,709	**1937**	25,581
1930	1,073	**1938**	18,386
1931	(1,455)	**1939**	8,246
1932	1,393	**1940**	35,468

[258] Pugh, *Great Enterprise,* p. 107.
[259] H&C MS37020/1, breakdown of profits reported in 1938 Accounts.
[260] Guthries G/UT/23: United Temiang Rubber Estates Ltd purchased by Guthrie & Company Ltd in 1925 for M$366,400 (£1 = M$6).
[261] Guthries G/UT/23: Figures extracted from United Temiang Rubber Estates Ltd Annual Accounts, 1925-40.

The returns for this estate reflected rubber price volatility over the period. Solid profits in the mid-1920s were followed by patchy returns year on year and a loss in 1931. For the estates, it was a case of feast and famine during this period, and it was that unpredictability that drove further consolidation within the industry. The United Temiang estate provided further evidence that the Guthries board was more intent on asset ownership if compared to Harrisons. Despite owning those estates, Guthries, like the other Agency Houses, persisted with rubber production. That wider question concerning crop diversification on the estates is worth revisiting briefly.

Why did each of the Agency Houses persevere with only rubber at this time? Guthries' offices reported in 1940 that Oil Palm Malay had generated profits of £67,271 on revenues of £217,169, a return of almost 31 per cent from just 2,389 tonnes of palm oil.[262] Despite this, company records reveal that planted area for oil palm in Malaya remained around 12,500 acres, compared to the 170,000 acres under rubber.[263] Why then was oil palm not considered given all of the price issues surrounding rubber? It does seem a little surprising that those Agency Houses did not at least experiment further with oil palm.

It would appear that doubts remained about the suitability of oil palm to Malayan soil, as Gent indicated earlier in the chapter. There was also an unwillingness to take on any risk, as revealed in John Hay's letter to Lady Anderson. A further reason lay in the structure of those companies that dominated the Malayan estates in the first half of the 20th century. Malaya played host to a large number of British FSCs, and many were estate operators. Therefore, crop diversification was a risky and potentially ruinous proposal at a time when so many firms were often close to going out of business. Moreover, Harrisons did not own estates outright and perhaps were not in a position to force through radical change at boardroom level. A further explanation was put forward by Roderick MacKenzie, a former Harrisons' estate manager. He stated that it was not really in the interests of the Agency Houses to force through crop diversification at that time. Harrisons' revenue did not

[262] Guthries G/OPM/11: Oil Palm Malaya Accounts for 1940, £1 = M$6.61.
[263] Guthries G/LP/28: Oil Palm Malaya, Schedule of Acreage.

just come from the estates. Why then put other revenue streams from merchandising, legal services etc., at risk by advocating a radical replanting programme that may not pay off?[264] Henry Barlow commented that, in the 1930s, his father 'for several years didn't know from one day to the next if he was bankrupt or not'.[265] That financial instability explains why Barlow was not in a position to introduce the new crop on estates. In fact Barlow was forced to close down the Calcutta operations in 1933 due to declining sales in textiles and falling profits in tea agency work. In 1936, the Shanghai business also closed due to the global financial crisis.[266] For all three Agency Houses it was therefore financially prudent to sit it out and wait for recovery in the industry.

Chapter Conclusion

The early business activity of the British Agency House in Malaya and, particularly their role in estate development, helps to explain the company structure that emerged there. A number of factors paved the way for the Agency House business model to succeed in Malaya. The first was access to Malayan land on generous terms that enabled FSCs to exploit the resource wealth of the colony. That attracted significant investment to the region to support those FSCs. However, these standalone firms could not operate independently and needed logistical and professional support to survive. Those services were provided by Barlows, Guthries and Harrisons locally through a pool of educated and motivated expatriate staff. Despite noticeable management and commercial strategy differences in each of the three Agency Houses, however, one common feature was that steady move towards Malaya and those industries that generated greatest profits. For all three Agency Houses, that was the rubber industry. A second component in Agency House development was that early and spectacular rise in rubber demand driven by the US automobile industry. When estates wanted to expand production, the Agency House could facilitate access to the capital markets. Subsequent company flotations on the LSE then proved to be very lucrative for the Agency House and allowed directors access to the boardrooms of other firms. Finally, the rubber industry had friends in

[264] Interview with Rod MacKenzie, 10 July 2015.
[265] Interview with Henry Barlow, 6 August 2013.
[266] Barlows Box 16/1-2: letters concerning Calcutta and Shanghai trading and closure of operations.

Westminster and the City as part of a *Pax Britannica* that largely dominated trade overseas including international politics at that time. The directors of those Agency Houses actively cultivated that support via personal and professional contacts in the London institutions. Trade associations like the RGA also weighed in when necessary. With time and those connections, the Agency Houses were able to manoeuvre the interests of the Malayan rubber industry towards the centre of the British economic policy.

There were, of course, particular features in the Harrisons' business that marked it out from peers. The board always gave the appearance of being readily predisposed to new business ventures both at home and abroad. A further example of this was the launch in Britain and Canada of a chain of builders' merchants in 1935 under the Harcros name. That investment provided economies of scope to complement logging concessions in Borneo.[267] Harrisons' management also consistently and frequently invested in client estate firms while resisting the greater financial commitment and risk that came with outright acquisition.

More generally, in 1937, Malaya produced half a million tonnes of rubber, about half of global supplies. The Malayan rubber estates then covered 1,330,000 hectares of land. Of that total, the British owned 817,500 hectares or 61 per cent.[268] It was the Agency House that held the keys to those rubber supplies and, of course, stood to profit from escalating global commodity demand at the onset of war. The Japanese invasion in December 1941 brought that trade to a halt and forced the evacuation or, worse, the imprisonment of expatriate staff. It was three long years before the British Agency House could return to Malaya and, once more take its seat at the head of the estate industry.

[267] H&C MS37505, papers relating to the Harcros builders' merchant group, 1935-77.
[268] Barlow, *Natural Rubber Industry,* pp. 34 and 442-4.

Chapter 4: Malaysia Post-war to Independence – Business as usual

Introduction

This chapter continues with the analysis of Malaya and business development there from the end of the Second World War up to independence in 1957. The main actors are the three Agency Houses we have been dealing with so far and their, at times, common approach to a rubber industry that faced daunting challenges after the war. For all returning British companies in Malaya, the task of restarting operations was compounded by two new and immediate threats. First, competition in the form of a new synthetic rubber industry base in the United States in the first instance and, second, a communist insurrection that wanted to remove capitalist interests from the colony once and for all. The chapter also looks at other British firms, particularly the arrival of the multi-national Unilever through its PAMOL subsidiary, which was formed to grow oil palm not rubber in Malaya. This business story played out against a backdrop of momentous macro-political events precipitated by British colonial withdrawal, which coincided with communism gaining a foothold in Asia. Through all of this, the British Agency Houses continued to plot a route for business through a dynamic institutional landscape in Malaya at a time when the colony's political economy was beginning to take centre stage

In those challenging circumstances, British firms returned to Malaya to reclaim assets that had been much neglected and often damaged during the conflict. One Barlows' report told of an immediate need for a massive replanting programme on rubber estates in the Highlands group.[269] In the estates' favour, rubber had again become a major overseas dollar generator for a British Treasury that was struggling to service US loans. The practice of pooling dollars in London for commodity exports from the colonies while restricting imports of goods from the US became the strategy of British government. In many ways, it was a reincarnation of the Stevenson Plan. From a commercial perspective, the Agency Houses made the most of opportunities and soon resumed their pre-war position at the head of the rubber industry in Malaya. Initially, that involved giving estates the necessary capital, merchandise and people to restart production. As estate management began to contemplate the

[269] Barlows Box 21/5, report dated 30 September 1947 and additional correspondence on replanting scheme following war damage to the Inchong Estate in Kedah, Malaya.

future of the rubber industry in light of its long history of volatility and the incursion into the market by synthetic rubber, oil palm began to emerge as possibly an alternative crop. In time, palm oil became an economic saviour, not just for the estates but also for the financing of economic and rural development in Malaya.[270] The question was, how much longer could Agency Houses remain at the head of the industry?

Post-war Recovery and the Communist Threat

On 12 September 1945, the Union Jack flew again over Malaya. However, the colony emerged from war, like most, beset by high unemployment, spiralling inflation, especially in relation to food prices, and plummeting wages.[271] Three years of occupation had crippled the economy and production on the estates had all but ground to a halt. An Allied shipping blockade had ensured that only 168,000 tonnes of rubber was shipped out of Malaya during Japanese occupation compared to over half a million tonnes in 1941 alone.[272] Three years of inactivity meant estates were overgrown, and the supporting infrastructure stripped of metal and largely abandoned. Occupying troops had also felled rubber trees, mainly on the British estates close to population centres, in order to boost food production. Around 53,000 hectares of estate land had been cleared, which equated to about ten per cent of all British holdings in 1941.[273] What is more, the majority of workers, along with their European managers, had fled the estates while many had been sent to work on railway construction in Burma and Thailand. Unsurprisingly, some did not return. Therefore, the task of rehabilitating the estates, just like that of the Malayan economy, would be a costly and drawn out affair for all involved.

An interim military administration was hastily convened in Kuala Lumpur in late 1945 and tasked to restore law and order prior to the return of colonial officials in

[270] Term coined by Raja Alias, former chairman of FELDA, when assessing the contribution of palm oil to the Malayan economy, 4 November 2013, Email response to author.

[271] For a more in depth analysis on the state of British colonies after the Second World War see John Darwin, *Britain and Decolonisation: the Retreat from Empire in the Post-war World,* (Palgrave MacMillan, 1989), pp. 1-232 and Nicholas J White, *Decolonisation: The British Experience since 1945,* (Routledge, 1999), pp. 1-168. The authors indicate that after the Japanese surrender, returning British authorities were faced with many serious challenges in South East Asia, one of which was high unemployment and low wages for locals.

[272] International Rubber Research Group, *Rubber Statistical Bulletins,* 26 (1946).

[273] Barlow, *Natural Rubber Industry,* p. 75. Most British estates were located close to the cities and towns.

1946.[274] In re-establishing British rule, authorities were now confronted with a much-changed political landscape not just in Malaya but across the breadth of the empire. Already in 1942, the fall of Singapore, 'the Gibraltar of the East', had dispelled the aura of invincibility exhibited under previous British rule. The end of the Second World War was then simultaneously the beginning of the end for British imperialism. In July 1945, the Labour Party swept to power under a reformist Keynesian manifesto that included the orderly reduction of overseas commitments—with an emphasis on *orderly*. What in fact transpired was an irregular erosion and abdication of British rule in colony after colony. In just three years Burma, Ceylon, India and Pakistan had achieved independence. Encouraged by events elsewhere, many British colonies, including Malaya, lined up to demand home-rule.

Many people in Malaya were undoubtedly acutely aware that economic crisis in Britain was driving decolonisation. However, the status of Malaya as a colony was played upon, too, by an encroaching Communist ideology. Many ethnic Chinese, for instance, rallied to the call of Chairman Mao, and military units that had been trained to resist Japanese occupation took up arms once more.[275] The Malayan National Liberation Army (MNLA) was formed with the aim of removing capitalist influence in Malaya. The organisation quickly identified the economically vital yet isolated estates as soft targets. On the morning of 16 June 1948, armed insurgents entered offices of the Golden Hope Elphil estate and shot dead the manager, a British national. Two more British planters lost their lives that day whereupon authorities immediately declared a state of emergency across much of the colony. The Malayan Emergency, as it became known, would run for 12 years. During that period, British estates bore the brunt of attacks carried out by the MNLA.[276] It was a war of attrition that was fought out in the jungles. It was also a war that the Agency Houses could well have done without.

[274] A military administration governed from 12 September 1945 until 1 April 1946 during which time the short lived Malayan Union and Crown Colony of Singapore were formed.
[275] The 1947 Census indicated that residents of Chinese extraction accounted for 38.6% of a Malayan Federation population of 4.9 million. C A Vlieland, '1947 Census of Malaya', *Pacific Affairs,* 22 (1949), p. 59.
[276] The Malayan Emergency was announced on 16 June 1948 and ended 12 July 1960. It was fought between Commonwealth Forces and the Malayan National Liberation Army (military wing of the Malayan Communist Party). The conflict was termed an 'Emergency' as the companies that ran the rubber estates and tin mines would not otherwise have been covered for losses by Lloyd's Insurers if the term 'war' was used.

British National Interests and the Colonies

At the end of the war, the British Treasury found itself once again mired in debt. US loans to keep the economy afloat came at a price. That included a staged reduction in the nation's colonial footprint. Notwithstanding US pressure, the British government recognised that reconstruction and development in some of the more strategically placed colonies, like Malaya, might well subdue any hostility to British overseas business, allow firms to invest and, ultimately, blunt the appeal of Communism. Rebuilding the private sector in Malaya would therefore restore commercial dominance in crucial, dollar-earning sectors like the estates. A major obstacle to carrying out that plan was finding the capital to enact it. Once again colonial authorities turned to British firms and created the conditions necessary to encourage investment to flow into the colony.[277] For Malaya, the resurrection of the economically crucial rubber industry was a major part of that strategy. The challenge on the ground was that many returning estates did not have the capital required to recommence operations, and that is where the Agency House stepped in.

Post-war reconstruction in Malaya meant that demand for all imported goods was extremely high. Building materials and other manufactured goods were needed to repair damage caused by the Japanese and subsequent allied bombing campaign, and much of the manufactured goods traditionally came from Britain. To meet this demand overseas for manufactures, British factories in turn needed a constant supply of raw materials. Rubber was one of the most important of these raw materials, and therefore, for the Agency Houses in Malaya, these were good times for trade. Initially, revenue from merchandising soared and helped to cover any financial shortfall on the recovering estates. Professional services provided by the Agency House were also in demand, but business was not without frustrations. The bulk of imported goods arriving at Malayan ports came from Britain, however shipments to the colonies were low priority for a degraded merchant fleet. Moreover, British factories struggled to satisfy domestic demand never mind that from overseas. One Barlows' report submitted by the Singapore offices complained about

[277] Nicholas J White, 'The Frustrations of Development: British Business and the Late Colonial State in Malaya, 1945-57', *Journal of South East Asian Studies,* 28 (1997), pp. 103-19. Here White looks at the emerging role of British business in the post-war years (and a rift between business leaders and the Colonial Office). Here colonial officials tried to rationalize extractive industries in the colony and promote economic development.

a 'dearth of UK goods to sell'.[278] To meet local demand, Agency Houses looked elsewhere, including the US. As a result, imports of cement, iron and steel, machinery items, cotton, grains and flour from nations other than Britain increased significantly. Manufactured goods from the US rose from under 6 per cent of imports in 1939 to over 21 per cent in 1948.[279] This overseas trade, of course, was at odds with British Treasury policy to pool US dollars in the colonies and use them to pay down debt. Dollars earned from rubber sales were instead being returned to the US as payment for other imported goods. To stem this trade, British authorities imposed an embargo on imports from some nations, in this case those from the US.

Several local suppliers got round the trade embargo by routing goods through Hong Kong and, from there, onto Malaya.[280] It was a trade route most probably used by the Agency Houses. Harrisons owned a subsidiary, Harrisons & Crosfield (Hong Kong) Ltd., and, although not officially registered until 1961, documents from company archives reveal that trade passing through the crown colony took place long before that year.[281] The merchandising division of Harrisons must have been very profitable at a time when so much investment was being directed towards rehabilitating the estates, especially given the annual profits reported in Table 4.1.

Table 4.1: Harrisons Annual Report of Company Profits 1946-50[282]

Year	Profit (£)
1946	342,096
1947	378,808
1948	255,057
1949	415,189
1950	451,667

[278] Barlows Box 21/5, report on reopening of Singapore office in April 1946.
[279] Pamela Sodhy, *The US-Malaysian Nexus: Themes in Superpower-small State Relations,* (Kuala Lumpur: ISIS, 1991), p. 65.
[280] Shakila Yacob, *The United States and the Malaysian Economy,* (Oxon: Routledge, 2008), p. 55-6.
[281] H&C MS070113, although Harrisons & Crosfield (Hong Kong) Ltd was registered in 1961, there are various papers that refer to trade conducted in the years after the war, most notably with US firms.
[282]H&C MS37020/2, figures extracted from Report on Annual Accounts, 1946-53.

Even during the war, the company had managed to post a £250,000 pre-tax profit for 1943, which allowed the chairman, Eric Miller, to grant a centenary bonus to staff.[283] The figures in the table show that, despite the costs incurred to resurrect the estates, the Harrisons group posted a healthy profit for each year. Although there is no breakdown of figures, the merchandising division must have contributed substantially as the Exports Department in London was expanded in 1946.[284] In September 1949, the British government allowed sterling to float freely on the markets, which saw the currency immediately devalued. US imported goods through Hong Kong thereafter became more expensive, and the trade had reduced to a trickle within a year.[285] The business environment in Malaya in the post-war years generally reflected a wider global political economy as nations struggled to recover while attempting to maintain power on the international stage. Moreover, it was more apparent that the political agenda of London would always take precedence over that of the colonies and the businesses active in them. This in itself calls into question claims by some historians that there was always collaboration and an element of mutual support between British overseas firms and the Colonial office.[286] However, despite external factors, the Agency Houses were on a strong footing as Harrisons' profits in Table 4.1 demonstrate. Moreover, they were now largely free of bureaucratic constraints due to pressing demands for development of any sort in the colonies. The desired business growth in Malaya was helped along the way by the financial difficulty that a number of estates now faced. Many of them, put simply, did not have the necessary finances to restart estate production.

The Returning British Companies

Guthries of Singapore reported to London that 'heavy expenditure will still be required to bring field works up-to-date and to put road and railway systems in good

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[283] H&C MS37013/3, Chairman Statement at AGM June 1943.

[284] Pugh, *Great Enterprise,* p. 165.

[285] H&C MS37020/2, Report on Annual Accounts reveal that turnover for trade passing through Harrisons' Hong Kong offices reduced dramatically in 1950. One could argue strongly that this was largely due to Sterling's' weakness and thereby a reduction in US goods being purchased for the local Asian markets. Malaysia remained in the Sterling Area until June 1973. For a comprehensive account see Catherine R Schenk, 'Malaysia and the end of the Bretton Woods system 1965-72: disentangling from Sterling', *Journal of Imperial and Commonwealth History,* 36, pp. 197-220.

[286] Some historians imply that there was collusion between British company directors and public officials in Malaya however the author found no evidence of this in the Colonial Records at Kew. There is evidence from interview conducted to indicate that an element of collaboration took place in London.

order'.[287] Not all estate firms had finances to cover that expenditure, however. In fact, a lack of capital forced out the two biggest land owners in British North Borneo. In July 1946, the privately owned fiefdom of Sarawak was surrendered by the Brooke family (known as the British White Raj). The family was followed out the door by the North Borneo Chartered Company, custodians of Sabah since 1888. The land became a new Crown protectorate, British North Borneo. It was a land area that was almost as big as Great Britain itself.[288] North Borneo, had much to offer British firms that were seeking to replace lost revenue by exploiting new commercial opportunities. Given existing logging rights in the region, the new Crown land interested management in Harrisons as the company had lost a lot of trade. Only the Ceylon and India regional offices had managed to remain open for the entirety of the war and, of the 'Three Sisters', Pataling had been delisted from the LSE. On the estates themselves, tree loss was heaviest on British estates. A large-scale replanting exercise was needed immediately, but it would still be a number of years before those estates were economically viable.[289] Bringing estates back into production required time, money and people. Agency Houses could supply the money; providing a workforce was another matter as many had not returned after the war.[290]

The job of tapping rubber on British estates had been largely carried out by Indian migrants. In 1929, 80 per cent of a total 258,000 estate workforce came from Southern India with the remainder drawn mainly from ethnic Chinese.[291] Immigrants were cheaper than local Malays, and therefore, after the war, it was a test for estate management to keep labour costs down. That was compounded by the fact that

[287] Guthries Archives G/LP/28, Directors' Report and Statement of Accounts for year ended 31 October 1946.
[288] British North Borneo formed 77,000 square miles. Great Britain at 88,500 square miles is 13% larger in area.
[289] Maturation for a rubber tree is around 7 years and was reduced to 4 years in later years as bud grafting improvements in immature maintenance were introduced. Interview with Henry Barlow, 6 August 2013.
[290] Around 50% of estate workers perished on the Burma-Siam railway. See speech by Major Sir Basil Neven-Spence, MP for Orkney and Shetland in Hansard Paper HC Deb 07 March 1947, Vol 420 cc627-36, *Malayan Rubber Prices (Dollar Exchange),* p. 2.
[291] For an in depth study on plantation labour see James Hagan and Andrew Wells, 'The British and rubber in Malaya', pp. 143-50. The paper gives detail on the recruitment and breakdown of workers for the estates of Malaya and labour disputes that ensued. See p. 144 for numbers. <http://ro.uow.edu.au/cgi/viewcontent.cgi?article=2648&context=artspapers>, (accessed, 25 August 2015).

indigenous Malays were reluctant to work on British estates.[292] Notwithstanding these and other issues, there were some positives for the British estates. The productive capability of rubber trees, due to that enforced tapping hiatus, was generally much better than it had been before the war. In fact, Barlows noted that, in 1948, Malaya produced 708,000 tonnes of rubber, a figure 150,000 tonnes above the previous height in 1940.[293] Henry Barlow, director of Barlow Bousteads, explained the challenges that faced Barlows thus:

> Since it is not necessary to tap rubber every day or every third day the bark reserves had to a large extent been preserved and subject to clearing the vegetation which had grown up in the inter-rows, and getting the labour forces sorted out, the rehabilitation of the rubber properties was not too difficult.[294]

It was the Agency Houses that had the financial means to restart commercial tapping immediately. Many smaller estate operators went cap in hand to the Agency Houses while others put up a 'for sale' sign. For instance, in 1946, Barlows purchased the Subang estate in Selangor from the Krian Rubber Plantations due to those financial difficulties. At the same time, the family shed a number of interests in Ceylon and India. In 1946, too, the Chingoor Tea Estate in Darjeeling was sold and so three years later was the Brae group of tea estates in Madulkelle, Ceylon.[295] No doubt this was motivated by impending British colonial withdrawal; however these sales were also part of an overseas restructuring exercise that saw the family disengage from regions and trade that was deemed risky. This allowed Barlows to focus on Malaya, as Henry Barlow explained:

> Immediately after the war, the offices in places such as Shanghai and India were closed down and the firm of Barlow and Company came to rely entirely on its one operation which was primarily by then in Kuala Lumpur with a residual trading operation in Singapore.[296]

This restructuring exercise lowered Barlows' commercial exposure overseas and allowed the family to target the rubber industry in Malaya more comprehensively. It also indicated that Barlows, like other Agency Houses, thought Malaya was a safer

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[292] Some of those interviewed commented that indigenous Malays were not so productive (nor as willing) as ethnic Chinese and Indians (Marcus Gent and Henry Barlow). This was disputed by MacKenzie who found Malays hard working on estates he managed, including the Welsh Estate at Mount Ophir, in Ledang, Malaysia.
[293] Barlow, *Natural Rubber Industry,* p. 76.
[294] Interview with Henry Barlow, 6 August 2013.
[295] Barlows Box 21/5, company papers on acquisition of the Subang rubber estate.
[296] Interview with Henry Barlow, 6 August 2013.

bet for British business interests than other colonies. As more estate operators and other types of merchants struggled, the Agency Houses benefited, none more so than Harrisons.

In late 1947, *The Straits Times* reported that Harrisons' profits for the previous two years had allowed dividend awards of 20 per cent to shareholders.[297] Despite that financial health, though, a number of weaknesses in the overall structure of the business remained. Harrisons still relied too heavily on the Malayan estates for revenue. Therefore, geographical and industrial diversification was needed to reduce commercial risk. Taking this on board, in April 1947, Harrisons formed Durham Chemicals (Canada) Ltd. to manufacture and market chemicals and, in doing so, launched a new chapter in Harrisons' business overseas. It also, again, marked the company out from other Agency Houses in Malaya, a subject covered in greater detail in chapters six and seven.[298]

That strategy aside, resurrecting the estates was a challenge for all involved in the rubber industry, and particularly now that there were two major threats to the future with which to contend. The first of those was the rapid growth of a US synthetic rubber industry and the other an escalating Communist insurrection. Let us look at each in turn.

The Synthetic Rubber Industry

The big push into synthetic rubber production in the US happened as the Japanese occupied Malaya and much of South East Asia. As mentioned previously, British and Dutch estates in the region were responsible for most supplies of rubber between the wars. Therefore, when the estates were overrun, the supplies were choked off at source. Eric Miller, the Harrisons' chairman, confirmed that point when he wrote that 'very early in 1942, 90 per cent of the world's sources of crude rubber were closed to the United Nations.'[299] Between the Japanese attack on Pearl Harbour in December 1941 and the fall of Singapore two months later, remaining

[297] *The Straits Times,* 'Malayan Firm's Profits', 19 October 1947, the article reports that Harrisons reported profit for year ending 30 June 1947 was £399,500, an improvement on the previous year's figure of £342,000.
[298] H&C MS37189, papers relating to formation of Durham Chemicals (Canada) Ltd.
[299] H&C MS MS37020/1, Chairman's statement in Harrisons Annual Accounts for 1942.

stocks of rubber were hurriedly shipped to the US.[300] As invading Japanese troops advanced down Malaya, any stockpiles left behind were burned by the retreating British. With the fall of Singapore, then, US factories were faced with a seemingly insurmountable challenge. Reserve stocks of rubber were dwindling, and the US Administration turned to firms in the chemical and oil industries for help, one of which was Standard Oil of New Jersey (Esso). This firm previously held a formal agreement with the German company, I G Farben, which operated a synthetic research programme in Leverkusen. In 1929, that firm developed the Buna-S synthetic product and found it to be more durable than natural rubber. Subsequently, research was shared with Standard Oil including the technology required to produce the GR-S (Government Rubber-Styrene) product in the US.[301] A new industry was born and was set the ambitious target of producing all of the nation's rubber requirements within three years.[302] By March 1944, more than 50 plants had been built and production surpassed targets to reach 66,000 long tonnes per month.[303] The financial costs involved were immense. In 1949, in fact, the US Congress reported that the Reconstruction Finance Corporation had disbursed some $23,034,160 to various public and private agencies to build plants and thereafter to support further research and development.[304] It is though, an indication of just how crucial rubber was to the US industrial war effort. The development of a synthetic rubber industry was a triumph for the US government and its industry in the face of adversity.

At the end of the war, US authorities faced a conundrum: should the government-financed synthetic rubber industry (the products of which at the time were also more expensive than natural rubber by and large) be retained? Or, should

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[300] Science Reference Services, Technical Reports and Standards, Science, Technology and Business Division, Library of the Congress Technical Report, *the Synthetic Rubber Project,* 18 June 2009, p. 1, see <http://www.loc.gov/rr/scitech/trs/trschemical_rubber.html>, (accessed, 25 August 2015).

[301] Details extracted from the American Chemical Society, *US Synthetic Rubber Program,* see <http://www.acs.org/content/acs/en/education/whatischemistry/landmarks/syntheticrubber.html>, (accessed, 25 August 2015).

[302] In 1944, the monthly output of US State synthetic rubber plants stood at 66,000 long tonnes, thereby exceeding domestic consumption. See Paul Wendt, 'the Control of Rubber in World War II', *Southern Economic Journal,* 13 (1947), p. 206. The cost to develop and produce 'Buna S synthetic rubber' was underwritten by government and in 1944 accounted for 86% of the US synthetic rubber program.

[303] Tuttle, 'Birth of an Industry', p. 62. Also see Wendt, 'Control of Rubber', p. 206.

[304] Robert Solo, 'Research and Development in the Synthetic Rubber Industry', *Quarterly Journal of Economics,* 68 (1954), pp. 70-71.

production be scaled back and the government revert to pre-war International Commodity Agreements?[305] The maintenance of synthetic production was initially justified by the belief output on the Malayan estates would be low. As it turned out, the Malayan estates recovered quickly and, in 1946, produced 410,000 tonnes of rubber, rising to 708,000 tonnes by 1948, well in excess of pre-war figures.[306] However, growing western concerns about the spread of Communism formed a further factor in US government policy. Those concerns were heightened by attacks on Malayan estates by the MNLA. As a result, the future of the synthetic industry was quickly assured. The decision was, however, a body blow to the Malayan estates and the Agency Houses. And the bad news did not stop there.

The US Rubber Act of 1948 granted the President rights to set production targets for home-produced synthetic rubber. Thereafter, government announced that it intended to auction off synthetic factories alongside technology and patents.[307] The private companies that expressed interest were the same large petrochemical producers and tyre manufacturers then managing the factories. Ownership of those factories and patents offered an opportunity for either backward or forward integration for these firms, which would increasingly lead to economies of scale. It would also provide efficiency savings and thereafter, a lower price for the synthetic product, which, although more expensive to produce than natural rubber initially, had already closed the gap.[308] The big problem for the Malayan estates was that those same US companies were its biggest customers. The issue was highlighted in an article in the *Financial Times* which stated 'the policy of USA Government continues to be the dominating factor in the rubber market'.[309] That view was cemented when US synthetic production reached 510,000 tonnes in 1952, a figure comparable to the

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[305] An International Commodity Agreement is a formal contract between the producing and consuming nations to control market price and thereby supplies.
[306] Barlow, *Natural Rubber Industry,* p. 76.
[307] The technology for manufacturing synthetic rubber originated in Europe and was transferred under a pre-war business agreement between Standard Oil of New Jersey and the German Cartel, I G Farben. When the war ended much of the German intellectual property was transferred to the US synthetic industry. See Robert Solo, 'the Synthetic Rubber Industry', p. 61. Also, Barlow, *Natural Rubber Industry,* pp. 69-72.
[308] Hoisington, 'High Finance in Rubber', p. 107. In 1942 the average price of synthetic rubber was $0.50 per lb, for natural rubber it was $0.22.5. In 1944, the figures were then $0.18.5 and $0.22.5. The price of Synthetic Rubber remained relatively stable for the next 12 year peaking at $0.23.9 per lb whereas natural rubber prices oscillated between a low of $0.17.56 and $0.59.7. All prices New York yearly average price No.1 RSS.
[309] H&C MS 37020/2, *Financial Times* article dated 19 December 1951.

levels achieved by the end of the Second World War.[310] The post-war scale-up in production was, in fact, due to the start of the Korean War, however output on the Malayan estates also went up to 600,000 tonnes a year. Much of the extra orders for this increased supply of natural rubber went into rebuilding strategic stockpiles in the US. As a result, the price of natural rubber rose in 1951 to M$5.41 per lb (US$1.76), a 400 per cent increase on the previous year.[311] It was a short-lived boom, however, as when the Korean War ended in 1953, stockpiles were vast and caused rubber prices to drop to a quarter of that peak. Exports to the US fell away, and estate operators were again forced to contend with diminishing sales revenue. It was a dilemma that the Agency Houses, with so much capital invested in the industry, had to tackle in Malaya.

Papers in the Harrisons archive reveal that, from 1947, management was forced to discount rubber from the Golden Hope estates at US$0.02 per lb, or 10 per cent on market prices. This was primarily caused by growing market competition from the synthetic product.[312] Moreover, the downstream sale of rubber was being meddled with by the British government, which continued to determine prices in London. A public agency, the Rubber Buying Unit, had been established at the start of the war to administer all government purchases of rubber from Malayan estates at fixed prices. That body was still operating in post-war years and had a say, too, in the bilateral agreements held with the US. In 1947, estate operators received 10d (US$0.40) per lb of rubber, a price agreed in consultation with Dutch and French governments. This was almost double the market price for rubber set in London and New York, and it was the rate at which the US bought from the British government. It was clear the London buying unit was manipulating market prices for economic and political gain.[313] The Rubber Growers Association (RGA) lobbied hard for prices

[310] Robert Solo, 'the New Threat of Synthetic to Natural Rubber', *Southern Economic Journal,* 22 (1955), p. 58. Congress granted the President powers to set mandatory consumption levels in 1948 which applied to GR-S (German Buna-S Rubber), used in the fabrication of tire treads and carcasses, and Butyl, used for inner tubes.
[311] Barlow, *Natural Rubber Industry,* p. 441-4.
[312]H&C MS37015/7, Chairman's Memorandum to the Board dated 2 March 1948. Eric Miller discussed the global price of natural rubber and the competitive threat posed by the synthetic industry.
[313] There were many debates at ministerial level in the post-war years on the subject of fixing prices paid to Malayan (and Ceylon) rubber estate operators. Initially, the price was set at 8d however lobbying by the RGA and others saw that rise to 10d. For an example of this debate see House of Commons, Hansard Paper HC Deb 07 March 1947, Vol 420 cc627-36, *Malayan Rubber Prices (Dollar Exchange)*. The figures show that the

to be set by the markets however the government held firm and, in many ways, it proved to be an underlying reason for a drop in exports from Malaya. In response to the deadlock, the Harrisons board moved into synthetics as a means of hedging bets. That move was a further demonstration of management's capability to adapt to circumstances that were, to all intents and purposes, otherwise outside their power of influence. More importantly, it was an indication of the board's uncertainty at the time about the future of the Malayan rubber industry.

Harrisons' interest in synthetics can actually be traced back to 1931, when the US industrial giant DuPont was developing a new chlorinated rubber product, neoprene, which was originally manufactured as an oil-resistant product that displayed superior properties to natural rubber including heat and cold resistance. This made neoprene particularly useful in many industrial applications. After the war, DuPont wanted to expand into Europe and entered discussions with Durham Chemicals to manufacture under the company name, the UK Neoprene Agency. The British firm was keen on the tie-up, but lacked capital. Harrisons seized the chance to get into the synthetics industry, and, in 1947, formed Durham Raw Materials as a joint venture with Durham Chemicals to manage the UK Neoprene Agency. Harrisons put up the capital and the means to market the product outside of Britain, while Durham Chemicals handled manufacturing. Thereafter, Harrisons was sole agent for sales of neoprene in Europe and a few other markets that were not covered by DuPont.[314]

Looking at the synthetics industry from Harrisons' standpoint, it is clear that the board obviously saw it as a major threat to estate interests in Malaya. However, rather than sit tight, the company bought into synthetics, thereby spreading risk. This practice of diversifying and redeploying business wherever it was thought necessary achieved economies of scope. In this case, if the Malayan estates suffered then the company could invest more capital in synthetics. Again, the company's position as a minority shareholder in the Malayan estates allowed the

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government subsidised the estates to ensure that contracts with the US remained extant. By restricting US imports to the colony, the British economy therefore made a net gain in US Dollars from those rubber sales.
[314] See *The Engineer,* Volume 204, No. 5512, 15 November 1957, p. 730. DuPont opened offices in London in 1957 and revoked the agency agreement with Durham Raw Materials Ltd., on 1 January 1959.

Harrisons board to invest elsewhere and, in this case, even in competing industries. The new investment alongside existing interests in the vulcanised rubber compound, Linatex, served the company well in later years when the estates and British ownership therein came under more explicit pressure. Despite the move into synthetics, however, the company, like other Agency Houses, still relied heavily on those Malayan estates for revenue. It was a vulnerability that had been ruthlessly exposed by the Japanese and one now targeted by the Communist MNLA.

The Malayan Emergency and the Plantations

The second major threat to the Malayan rubber industry in the immediate post-war period was the Communist insurgency and an ethnic Chinese MNLA that had identified rubber and tin as the economic life-blood of the colony. In 1950, rubber exports accounted for around 75 per cent of Malayan revenues and tin 12-15 per cent.[315] Most of that revenue was generated by foreign, mainly British, estates and mines. The insurgency plan was straightforward: if production of rubber and tin could be halted, it would cripple the Malayan economy, bring about political change and rid the nation of western capitalists.[316] As the attacks escalated, rubber production slowed as British firms were forced to fund security measures to protect estates and workers. Despite this massive effort to build up security, 99 planters out of a complement of 1400 still perished in the Malayan Emergency that ran from June 1948 to July 1960. The casualty rate among estates workers was, moreover, thought to be much higher.[317] Mackenzie, an estate manager for Harrisons during the Emergency, recalled that:

> Life for plantation workers was extremely difficult. On the one hand they had British Special Constables threatening to throw them in jail if they fed the MNLA. At the same time the Communists were threatening to kill them should they not cooperate and supply food to insurgents hiding in the jungle. Despite the very real dangers which plantation workers were exposed to, there were many examples where they showed great loyalty to expatriate management.[318]

[315] Mark Curtis, *Web of Deceit: Britain's real role in the World,* (London: Vintage, 2003), pp. 334-345.
[316] See Hansard, *Malayan Rubber Prices,* the paper reports that of 3,125,000 acres under rubber in Malaya, between two and three fifths was British-owned however some contend the share was higher. Curtis, *Web of Deceit,* claims that in 1950, 70% of rubber acreage was owned by European (mainly British) companies.
[317] Tate, *RGA History*, p. 355. There are no exact figures for Civilian casualties however it is estimated that they ran into the thousands.
[318] Interview with Rod MacKenzie 14 November 2012.

It was a perilous time for the industry and all who worked in it, but in MacKenzie's statement one can detect an emerging bond between the British estate operator, the workers and local Malay people. That common ground across the industry would aid Agency Houses in later years when they sought land to plant oil palm.

Attacks carried out by the MNLA mainly took place in three states, Kedah, Kelantan and Perak where authorities imposed a blanket curfew from 4pm to 6am. Living quarters became fortified strongholds, surrounded by barbed wire and patrolled by armed guards. Those restrictions had an impact on morale. One Guthries report revealed the difficulty in retaining workers. 'The [estate] development programme was adversely affected by the activities of bandits, which resulted in the exodus of able-bodied labourers from the district'.[319] Routine tasks became hazardous, such as the weekly trip to town to collect wages. The Communists were aware of that journey, which was usually undertaken by the estate manager, and set up roadside ambushes, which then forced companies to fly in wages and other supplies. Another Guthries report revealed conditions on the ground:

> The position has steadily deteriorated and recorded incidents and attacks on the estates numbered sixty. A senior member of the European staff was wounded in and engagement with bandits and in other attacks three Asians were killed and six wounded. Three estate buses and eight lorries were burned. Two night attacks were made on the Manager's bungalow and several attacks were made on other buildings. The company has provided 12 armoured vehicles in an effort to give protection to the staff.[320]

Despite constant lobbying by the RGA in London, the Malayan Emergency was a remote conflict that was slow to catch the attention of a government wearied by war. Pleas for military intervention fell on deaf ears, with one Treasury official declaring somewhat dismissively that, to defend itself, Malaya 'should tax herself to the limit of her capacity'.[321] Barlows correspondence also spoke of extreme security measures to protect workforces and a level of disdain held on estates for the lack of response by the British government.[322] In the early years, the estates had no option but to recruit and train local militia. Eventually in 1951, Commonwealth troops were

[319] Guthries Archives G/MIS/8, Directors' Report and Statement of Accounts for year ended 31 October 1948.
[320] Guthries Archives, G/OPM/13, Oil Palm Malaya Directors' Report dated 31 October 1951.
[321] PRO, T220/282, Note by Coulgh, 28 Nov 1950; T 220/281, Note by Colonel Russell Edmunds, 7 Oct 1950.
[322] Barlows Box 22/1, correspondence between Thomas Barlow and Major J H Tovey, manager on the Highland Estate and J W Allgrove, manager on the Muar River Estate from June 1948 on.

mobilised, but only after the assassination of the British High Commissioner, Sir Henry Gurney, to the north of Kuala Lumpur. A brutal counter-offensive followed, and it was a matter of time before the MNLA was defeated, although a state of emergency remained in place for several more years. In the end, Malaya survived the Communist insurgency largely because a majority of local people resisted the MNLA and cooperated with Commonwealth troops, and the Malayan Home Guard to suppress attacks and penetrate MNLA jungle camps.[323] The role of the Agency House was also crucial during this time in keeping the estates open and producing. The resolute defence of estates and workers also broke down some of the prejudices held against British business. Moreover, it sent a message that British firms intended to stay.

A further motivation for the large-scale deployment of Commonwealth troops lay in the financial contribution of rubber and tin to the British economy, especially in the form of US dollars. That contribution was helping to pay down a post-war US loan of $3.75 billion.[324] In the years 1948-52, Malaya contributed more dollar hard currency than any other colony in the Sterling Area, around $1.2 billion, and, as late as 1955, added a further US$218 million to that Treasury dollar pool.[325] Indeed, political stability in Malaya and the security of those estates generated a catch-22 for a US government that was deciding on whether to retain the synthetic industry. On the one side stood US security of supply, which might be better guaranteed by synthetics than by natural rubber production from Malaya? On the other hand, in geo-political terms, combating the threat posed by Communism was looked upon as the duty of the US administration, especially in the context of McCarthyism. Furthermore, economically speaking, rubber exports accounted for around a third of Malaya's Gross National Product in the post-war years.[326] If trade collapsed, then any ensuing economic hardship could open the door to Communism. The survival of

[323] An estimated 40,000 Commonwealth troops were engaged in the hostilities bolstered by 250,000 Malayan Home Guard and 37,000 Special Constables. For more detail on the Emergency see Noel Barber, *The War of Running Dogs: How Malaya Defeated the Communist Guerrillas, 1948-60,* (London: Cassell, 1971), pp. 1-336.
[324] Nicholas J. White, *Decolonisation: The British Experience since 1945*, (Oxon: Routledge, 1999), p. 5.

[325] Sodhy, *US-Malaysian Nexus,* p. 133 and Robert Wood, 'From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy', (University of California Press: 1992), p. 54.

[326] Thomas R McHale, 'the Malayan Economy and Stereo-Regular Rubbers', *Asian Survey,* 1 (1961), p. 25.

the plantation industry was therefore critical to the colony and a wider western crusade against Communism globally.

Of course, the survival of the rubber industry was even more important to the Agency Houses. Throughout this era, the Harrisons board consistently flagged up to shareholders that the three threats to business were the US synthetic industry, the Malayan Emergency and the company's geographical trade vulnerability.[327] The Agency Houses could do little about the first threat, but for the second, Barlows, Guthries and Harrisons combated it by investing heavily in estate security. The third threat, business dependency on one region, was an area that Harrisons was beginning to address more effectively than other Agency Houses. We therefore now turn to consider the business strategies of each of the Agency Houses in the run up to Malayan Independence.

British Agency House and Malayan Independence

As mentioned before, all three Agency Houses coped reasonably well in the immediate post-war era due to that diversified business portfolio. As estates recovered, Harrisons became increasingly attractive to investors in the City due to consistent annual profits (shown in Table 4.1). Those profits generated healthy dividends for shareholders, as Table 4.2 shows.

Table 4.2: Harrisons Share Capital and Dividend Awards 1946-1950[328]

Year	Share Capital £m	Share Dividend %
1946	0.5	20
1947	0.5	25
1948	0.5	25
1949	0.5	25
1950	0.5	25

[327] H&C MS37020/2, the threat posed by the synthetic rubber was first outlined in the Chairman's Statement, AGM June 1944 and thereafter, also noted security concerns and an overreliance on Malayan operations.
[328] H&C MS37020/2, figures extracted from Report on Annual Accounts, 1946-50.

The Harrisons board awarded a 20 per cent dividend to shareholders in 1946 and 25 per cent for each of the next four years. By any measure, these were healthy and consistent returns to those with capital to invest. For Harrisons, the merchandising arm of the business had propped up revenue while estates recovered. As such, in 1950, company profits were over double those in 1946. The board was now in a financial position to pursue new commercial ventures in Malaya and elsewhere.

As previously implied, the 'ordered' British decolonisation programme degenerated into a somewhat haphazard affair, what Darwin referred to as:

> The unpredictable erosion of position after position, foothold after foothold, followed on each occasion by further efforts to hold together the remnants of world power and influence, by one means or another.[329]

What is certainly true is that the speed of British withdrawal was largely dictated by the British domestic economy. The health of the British economy also influenced development of any sort in those remaining colonies and dependencies. In the new Crown protectorate of British North Borneo, authorities were not enamoured with rebuilding settlements and a business infrastructure that had been bombed by the Allies during the war. The former chief executive of Harrisons & Crosfield (Borneo) had back in 1946 reported 'your properties can easily be reported on because there is nothing left to report on'.[330] But, because of the state of the British home economy, little state aid was forthcoming. Therefore, again, capital up front was needed to restart commercial operations in the region, and, again, this was an area where the standalone FSC struggled. For the Agency House, though, North Borneo was a region of relatively untapped resource wealth and one where the colonial authorities were happy to encourage business investment in order to develop the region. Again, Harrisons stole a march on competitors. In North Borneo, Harrisons already managed docking facilities, shipping and airline offices and were sole agents for Atlas Assurance, the same company floated by the Agency House back in 1901. In addition, there were exclusive logging concessions in the British Borneo Timber Company. The region was also a suitable host for estate development, and that suited Unilever's ambitions in palm oil.

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[329] Darwin, 'British Decolonization since 1945', p. 206

[330] H&C MS37011/4, Report by McLeod, Harrisons & Crosfield (Borneo), July 1946.

In 1947, Unilever's PAMOL acquired a rundown tobacco estate in Johor with a stated aim to increase 'production of palm oil in South East Asia'.[331] Unilever's estate ambitions in West Africa had been thwarted by the trusteeship policy, however the generous land lease terms on offer in Malaya were an obvious inducement to invest. What is more, Unilever had capital to spare after receiving substantial compensation from Germany for losses in the Second World War. PAMOL was therefore viewed by Unilever as a vehicle to invest these funds overseas. A point worthy of repeating here is that UAC, despite managing Unilever estates in Africa, was not involved in the new venture. UAC was either never invited or, more likely, its management were focussed on 'the Coast' trade and reticent about committing capital and people elsewhere. It was a missed opportunity. Colonial authorities seemed happy with the PAMOL investment as the original estate of 4,000 acres was extended in tranches throughout the 1950s to reach 11,500 acres.[332] Clearly palm oil was generating a good profit. The estate also benefitted directly from a vast catalogue of crop research amassed by Unilever in Africa. A few years after establishing that first estate, Lever Brothers also built the region's first palm oil refinery at Kuala Lumpur. That facility operates today within the vast business portfolio of Sime Darby. In effect, the arrival of Unilever to the region was a catalyst for radical change right across the Malayan estate industry.

At the time, the economy of Malaya was heavily dependent on rubber exports, which in 1947 generated \$120m. That figure was well ahead of revenues from cocoa exports at \$50m. However, rubber revenues were being squeezed all the time by the synthetic industry. In 1949, synthetic rubber accounted for 25 per cent of the market.[333] A year later, however, there were signs that its share was increasing as US imports of natural rubber had fallen to 33 per cent of Malayan production compared to 53 per cent in 1947.[334] For Malayan authorities and the British Agency House alike, change was therefore needed if the estate industry was to have a future. By the early 1950s, British estates were back at full production and crop

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[331] Leslie Davidson, *the Development of the Malaysian Oil Palm Industry: Unilever's Contribution,* (Paper presented to the Tropical Growers Association in London, January 2003), p. 1.

[332] Unilever Archives UPG/3/13/1/7/1, appendix 2 to paper on Unipamol Malaysia Sdn Bhd dated 9/10/79.

[333] Lim Chong Yah, *South East Asia: the long road ahead,* (Singapore: World Scientific Publishing Co. Pte. Ltd, 2004), p. 94. In 1950 sales of synthetics accounted for 25% of the global rubber market.

[334] Barlow, *Natural Rubber Industry,* p 104. These figures were total Malayan rubber exports to the USA.

research received a boost in funding from both public and private donors. Part of that research effort was directed at a tree breeding programme at the Rubber Research Institute of Malaya in Prang Besar. Although this was a publicly funded project, the Agency Houses were involved while also pursuing their own research programmes.[335] In estate husbandry, the industry was operating at optimum efficiency so little could be done to improve productivity. Moreover, it made little sense to plant more rubber trees due to uncertainties in demand and the rise of synthetics. Nor could the estates restrict supplies as they had before due to the aforementioned management of rubber sales by London's Rubber Buying Unit. Therefore, labour savings were the only option as rubber tapping was a skilled and well paid profession which made up a significant part of the commodity's final price. In 1957, rubber tappers were paid a wage commensurate to factory workers and by 1973 had surpassed them.[336] The difficulty estate firms faced was the organised strength of a National Union of Plantation Workers that effectively blocked proposed wage reductions, as MacKenzie explained:

> Rubber is a more labour intensive crop [than oil palm]. The tapping of rubber is a skilled job and [the] tappers were all members of the national union of plantation workers. [It was] a very sensible and well led union but obviously their salaries increased so there was the promise of, if you like, higher costs.[337]

The Agency Houses also argued for a greater say in rubber prices that were set in London and accused authorities of penalising the industry (and the wider Malayan economy).[338] For all parties involved, the issue was, as it is for every business, how to achieve a price high enough to reward the producer, yet low enough to satisfy the consumer. At the start of the 1950s, however, the Malayan estates received an unexpected if temporary boost to business.

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[335] Interview with Rod MacKenzie, 10 July 2015. Here MacKenzie commented that Harrisons Rubber Breeding Programme in Malaysia, run by Ronald Shepherd, produced some of the highest yielding clones that were extremely suitable to local growing conditions.

[336] Department of Statistics, Malaysia: Average earnings of estate workers Vs factory workers 1957 and 73. In 1973 estate workers were paid M$147 a month compared to M$140 for factory workers.

[337] Interview with Rod MacKenzie, 14 November 2012.

[338] It was assessed that labour wages accounted for 65% of the final price of natural rubber, see article by Dr W J S Naunton, 'Synthetic Rubber's Future', *The New Scientist,* 21 March 1957, p. 12. Also see Hansard, *Malayan Rubber Prices,* for a debate in the House of Commons. The MP claimed that a price of 10d per lb for Malayan Rubber, deprived producers £13 million a year. Furthermore, US exports at a stipulated two-thirds of Malayan rubber through a trade agreement meant a loss of around US$40 million to the UK each year.

The outbreak of the Korean War saw demand for rubber soar alongside prices.[339] This was the so-called 'third rubber boom' for the Malayan estates.[340] Henry Barlow underscored the importance of that war to the whole industry:

> It was the Korean War which really saved the rubber industry because the price of rubber soared and the country benefitted from these very high rubber prices and thus enabled much further expansion [in plantations] to take place.[341]

The sudden rise in demand for rubber saw Malaya's export earnings triple to reach $350m in 1952.[342] Despite this welcome shot in the arm, the underlying weaknesses remained and resurfaced when the Korean War ended and rubber prices plummeted. Further bad news followed: companies in the synthetic rubber industry intended to expand into Europe. In 1955, the British government gave the green light to a copolymerization chemical plant at Fort Dunlop in Birmingham. This new factory was forecasted to produce 1,500 tonnes of synthetics for tyre manufacture and had the financial backing of the British government.[343] It prompted a consortium member to predict that 'by about 1975, the Malayan rubber industry will have been born, flourished and permanently declined in 100 years!'[344] Although that statement proved to be well wide of the mark, the venture would have sent shockwaves through Agency House boardrooms. Also in 1955, US authorities began auctioning off the synthetic factories as promised. If trading conditions were not bad enough for the estates, news came through that US authorities also intended to release their vast stockpiles of rubber onto the market. If not before, it was now very much obvious that for the Malayan estate industry to survive something needed to be done and fast. The solution came from, perhaps, an unlikely source, although it had been right in front of the noses of the Agency House directors for a number of years.

After all, Unilever's PAMOL estate was, by 1950, established and producing palm oil profitably. It is also worth remembering that Guthries and Harrisons had oil palm estates in Malaya that predated the war. The resolve and claims of those who

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339 Hoisington, 'High Finance in Rubber', p. 107. In 1950 the average for natural rubber was $0.41 per lb and in 1951, $0.59 per lb, a rise of around 300% on the previous ten year average.
340 Barlows Box 22/2, correspondence with estate managers refers to a 'Third Rubber Boom' at this time.
341 Interview with Henry Barlow, 6 August 2013.
342 Barlow, *Natural Rubber Industry,* p. 106.
343 Dr W J S Naunton, 'Synthetic Rubber's Future', pp. 12-14.
344 Tate, *RGA History,* p. 555.

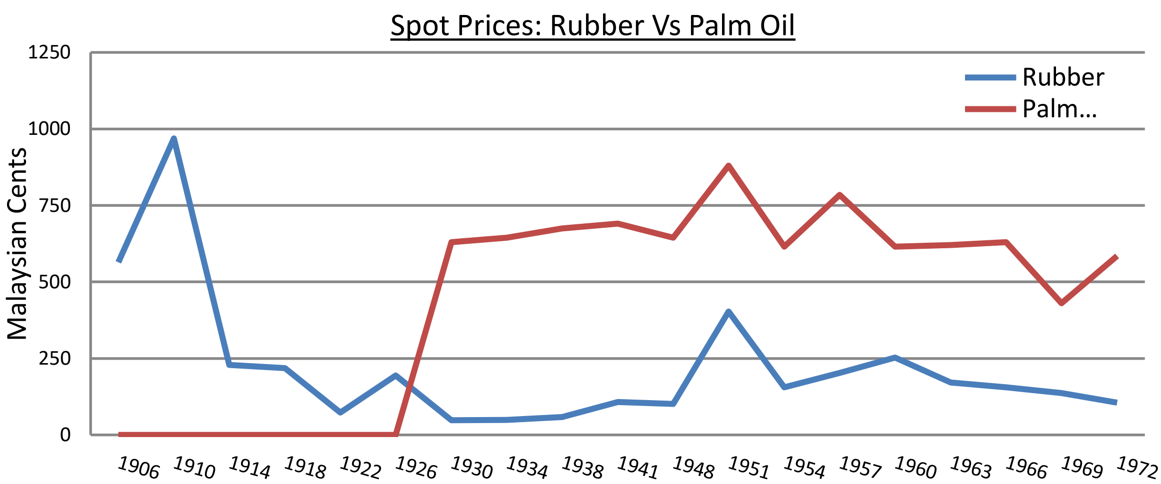
had voiced doubts about oil palm's suitability to Malay soils were being sorely tested and challenged by rising profits on estates, like those owned by Guthries, as Table 4.3 shows. On the basis of these profits, the idea of crop diversification on the estates began to gain traction among the Agency Houses, albeit very slowly.

Table 4.3: Guthries Oil Palm Malaya Accounts and Acreage 1947-50[345]

Year	Turnover £	Profit £	Square Acreage
1947	410,177	41,786	5,637
1948	666,757	92.048	7,627
1949	888,794	200,650	7,627
1950	907,566	224,771	9,888

Production restarted on the Guthries oil palm estates relatively soon after the war, and, by 1950, turnover and profits had more than doubled. Of course, Guthries owned those estates outright. The issue for Harrisons was persuading clients to turn over land to oil palm as systematic diversification was a costly and risky affair. However, the slump in rubber prices after the Korean War persuaded some that oil palm could offer salvation. It was in more consistent and less volatile prices for the new commodity that the estates began to see real potential, as Graph 4.1 shows.

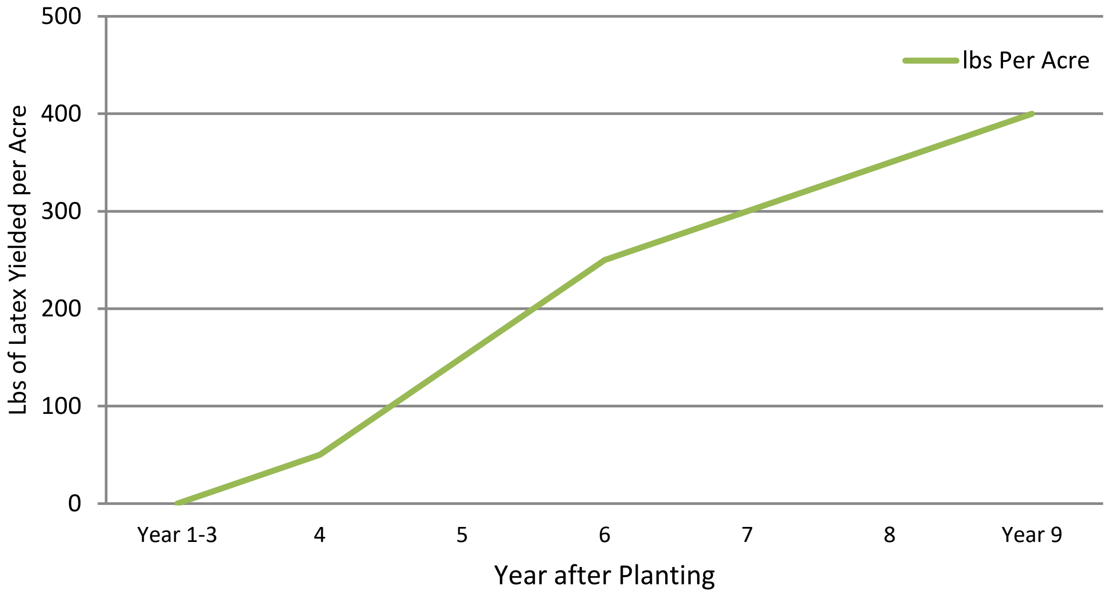
Graph 4.1: Average Annual Spot Prices: Rubber vs Palm Oil per Tonne[346]



[345] Guthries Archives G/OPM/12 and 13: Figures extracted from Oil Palm Malaya Accounts 1947-50.
[346] For Rubber, see Barlow, *Natural Rubber Industry,* pp. 440-1 and for Palm Oil, see Harcharan Singh Khera, *the Oil Palm Industry of Malaysia,* (Penerbit Universiti Malaya, 1976), p. 305.

The chart above shows that not only were palm oil prices consistently higher than rubber by the late 1920s, they were also much more stable. In terms of yield, a maximum of three tonnes of latex per hectare was achievable at about year 18 after planting, and trees only started producing at around year six. In the case of palm oil, the equivalent yield was around four tonnes per hectare and thus not much higher than for rubber; but crucially, fruit could be harvested and pressed 4 years after planting.[347] Moreover, the price for palm oil was, on average, treble that of rubber. It was hard to argue against the facts and figures. In the estate industry, the optimal time to convert land to oil palm was when existing rubber trees reached the end of their productive lives. If an estate was again replanted with rubber, it could be nine years before that estate was profitable once more, as shown in Graph 4.2 below.

Graph 4.2: Basic Annual Yield from Rubber Trees (lbs per Acre)[348]



The chart reveals that small amounts of latex are produced by trees at around the four-year mark, however break even for newly planted estates was only achievable at year eight or nine.[349] In the first years after planting, cash flow for estate operators markedly slowed. The oil palm, though, cut non-productive cycles

[347] Barlow, *Natural Rubber Industry,* p. 448. Sime Darby, palm oil: facts and figures. See <http://www.simedarby.com/upload/Palm_Oil_Facts_and_Figures.pdf>, (accessed, 1 March 2016). There is some dispute about oil palm production as Sime Darby claim that fruit can be harvested and pressed after 30 months.

[348] H&C MS37512, note with loose paper detailing Summary of Estimated Outputs from Asia of Rubber.

[349] Barlow, *Natural Rubber Industry,* p. 290. The author calculated that well managed estates will not see profit from tapping and rubber sales until around seven years after planting.

dramatically (although it should be noted that substantial up-front costs were required to replant with oil palm).[350] It was again access to capital that hastened a further round of consolidation in the estate industry. Capital availability further moved the whole Malayan estate industry into the hands of the Agency House. Moreover, changes were afoot in British politics that had potential to benefit estates and the overseas investor alike.

In the UK, the election of the Conservative party in 1951 brought back into power a government more sympathetic to business interests overseas. The historian Nicholas White drew reference to this when he remarked that 'there was a gradual but perceptible shift from the pre-war hands off policy towards a more interventionist approach in the tin and rubber industries' [of Malaya].'[351] A more obvious change in Malaya was that colonial authorities became more supportive of the British estates. That was acknowledged by Davidson:

> To be fair, [colonial authorities] were most obstructive in the first half of the 20th century. As countries approached independence, the colonial governors began to see the importance of [the] plantations in Malaya.[352]

Davidson's view about the changing relationship between local British firms and colonial representatives in Malaya was echoed by Henry Barlow:

> My impression for Malaysia was that the business fraternity got on reasonably well with the previous Colonial Office and thereafter seemed to get on even better with the incoming Malaysian government.[353]

Agency Houses enjoyed broad appeal not only with authorities, but also with the indigenous political elite. Emboldened by this, each Agency House continued to pursue individual acquisition strategies. Henry Barlow recalled his father's buying spree during the 1950s:

> Unlike many of the proprietors of estate operations who sold out as a result of the Emergency and with the onset of Independence, the Barlow family carried on...my father went on his expansion spree in the fifties.[354]

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[350] An oil palm tree produces fruit at 30 months with a productive life cycle of 23 to 30 years. See, MPOB, see <http://www.mpoc.org.my/The_Oil_Palm_Tree.aspx>, (accessed, 11 January 2015).
[351] Nicholas J White, *Business, Government and End of Empire: Malaya 1945-57,* (New York: OUP, 1997), p. 35.
[352] Interview with Leslie Davidson 4 December 2012.
[353] Interview with Henry Barlow, 6 August 2013.

In 1953, Barlows acquired the estates Highlands, Midlands, Rasak and Bukit Jelutong to form a subsidiary company, Highlands Malaya Plantations Ltd.[355] In some ways the company's buying spree was not surprising. After all, for business, Malaya, in the 1950s, was rare in a rapidly shrinking British Empire: a colony that was open and commercially attractive to British business and investors alike. Such favourable conditions proved a big draw to large investment funds like Scottish Widows and M&G. In fact, M&G became the world's leading institutional investor in the estate industry during the course of the next thirty years.[356] Where the institutions invested, the individual speculator followed. Share demand thereafter rose for Harrisons and its 'Three Sisters'.[357] It was something of a virtuous circle of investment within an industry that allowed the Agency House to Influence planting strategy on the estates. MacKenzie expanded on Harrisons' thinking at that time:

> I think the greatest threat was the introduction of synthetic rubber, this influenced the decision, we've got to now diversify, it would appear that oil palm is ideally suited for most of the Malaysian environment, we should explore this. We will not necessarily forget about rubber but let us commit ourselves particularly in locations which appear to be ideally suited for oil palm.[358]

The financial strength and boardroom presence of Harrisons' men in London helped persuade a number of estates to diversify or experiment with oil palm. Such was the success of that move that it was not long before greater effort was being directed at planting the new crop on many more estates.

In the early 1950s, Malaya was still a net importer of palm oil and, like the rest of the world, got its supplies from West Africa. However, change was on its way in the Malayan estate, and it was the Agency House at the fore of that crop transformation. Three Harrisons' rubber estates, Banting, Selaba and Lanadron, were replanted with oil palm in 1950. The date coincided with the achievement of full production on Unilever's PAMOL estate, planted in 1947. Moreover, a new Oil Palm

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[354] Interview with Henry Barlow 6 August 2013. In the 1950s Harrisons added eight Malay estates to holdings and Henry Barlow spoke of his father's 'spending spree' at this time and the addition of several Scottish-owned estates to the Highlands Group.

[355] Barlows Box 24, list of estate acquisitions by Thomas Barlow in mid-1950s.

[356] Interview with David Hopkinson, 4 July 2014. When asked why M&G continued to invest in the Malayan plantations despite the dual risks posed by synthetic rubber and the Communist insurrection, he stated that it was simply because the British overseas plantation industry offered consistently high dividends.

[357] H&C MS37017/7, Harrisons share capital trebled from £500,000 in 1951 to £1.5 million in 1956.

[358] Interview with Rod MacKenzie, 14 November 2012.

Research Station was opened by Harrisons in 1955 on the Klanang Bahru Estate at Banting. The event was recalled by Brian Gray, the station's first scientist:

> It was set up by me with my dog in 1955. It expanded from a modest start to be the producer of the highest yielding seed in the country and to establish a wide range of agronomic and pest and disease trials. And it provided the advice for the major expansion of oil palm plantings by H&C [Harrisons].[359]

Harrisons' research effort overseas was being ably supported in Britain by the Tropical Crop Laboratory at Camberley. Guthries also invested heavily in palm oil research at this time, an effort that was recalled by Marcus Gent:

> Guthries had two research centres, one dealing with rubber in Seremban and the other on the OPM Estate in Johor which dealt with palm oil. We employed at each some rather fine experts in their field. Progress was significant, but slow by the nature of agriculture experiment.[360]

Former Agency House employees tend to disagree about which company deserves credit for spearheading the uptake of oil palm in Malaya, however the overriding point here is that the two largest Agency Houses were now on-board. Gent did mention that other estate crops were trialled by Guthries, including cocoa and coconut.[361] That episode was also remembered by Hereward Corley, the former Head of Unilever's Plantation Research:

> There was a brief cocoa 'boom', with extensive plantings in both Peninsular Malaysia and Sabah. Yields were good, but the high labour requirement together with pest problems eventually put an end to the boom.[362]

Agency House leaders eventually came to the conclusion that demand for cocoa was insufficient to justify large-scale planting. A few estates in Harrisons Golden Hope group experimented with coconut under-planted with cocoa, a method later repeated on the Cashwood, Flemington and Bagan Dato estates.[363] However, yields from coconut were consistently poor and the commodity was soon dropped.[364] Eventually, the Agency Houses decided on oil palm for the following reasons:

- There was a compelling economic argument, caused by price unpredictability in rubber, to diversify in the plantation industry of Malaya.

[359] Interview with Brian Gray, 5 December 2012.
[360] Interview with Marcus Gent, 11 July 2014.
[361] Interview with Marcus Gent, 11 July 2014.
[362] Email response received from Hereward Corley, 23 August 2015.
[363] Interview with Rod MacKenzie, 14 November 2012.
[364] Interview with Rod Mackenzie, 10 July 2015.

- Palm oil production was stagnating in Nigeria for reasons covered in this thesis and declining in Indonesia due to policies introduced by the new regime.
- The Coastal clay soils of Western Malaya and the volcanic soils of Sumatra and Sabah offered a high yield potential for the crop.
- Finally, an extensive catalogue of oil palm research that had been put together by Unilever in Africa was made available to estate operators in Malaya.

The final point referring to Unilever's notable research contribution did accelerate the planting of oil palm on Malayan estates. It is therefore worth looking more closely at Unilever's oil palm research to fully appreciate the crop's success thereafter.

British Business and Oil Palm Research

A giant leap forward in oil palm breeding took place in the early 1950s when Unilever's Congo research centre first planted a new seed type on a commercial scale. The thick-shelled Deli Dura palm fruit was hybridised with pollen from the Pisifera palm to produce what became known as the DxP hybrid. The thinner shell of the hybrid produced oil yields that were roughly 30 per cent higher than Dura palm, and subsequently Pisifera pollen was flown to Malaya to pollinate local Deli palms. Once the 'Congo theory' on the inheritance of shell thickness was accepted by the industry, the oil palm breeding programme in Malaya switched to Unilever's Pisifera material.[365] Individual companies continued to pursue crop breeding programmes, however the estate world of Malaya was a small and incestuous one. In an apparent act of altruism, Unilever made available research data to all estates in Malaya. Once the Unilever material was being widely used by most estates, oil extraction rates rose. Davidson reiterated the importance of the DxP hybrid at a time when estates were pondering a move away from rubber:

> It is no exaggeration to say that the introduction of DxP palm to Malaysia was a major factor in making the oil palm an attractive commercial proposition at a time when many rubber estate owners were looking for a more viable crop.[366]

The new oil palm cross-breeding technique was embraced by the Malayan estate industry and today practically all estates in the world use the DxP hybrid variety.

[365] Email response received from Hereward Corley, 23 August 2015. The details of this research programme were also supplied by Corley.
[366] Davidson, *Malaysian Oil Palm Industry*, p. 2.

This is a further occasion when collaboration between British estate operators was instrumental in establishing a palm oil industry in Malaya that now leads the world.

Agency Houses thereafter actively encouraged oil palm planting on a number of estates to replace rubber. Davidson explained the ease with which it took place:

> We had been growing oil palms in Africa for 80 years. Oil palm took off in Malaysia because of increasing yields and greater productivity. It was so much more profitable than any other crop. It is very easy to convert a rubber estate to oil palm. You have your plantation already cleared; you have your manager; you have labourers, roads and drains. I have seen them cutting down young rubber in Malaysia before it has even matured and planting palms![367]

Even the Malayan government acknowledged the favourable returns that oil palm could offer the estate industry. It was here that the political economy of the colony again came to the fore. After winning the 1951 municipal elections, the Alliance Party, a coalition of moderate ethnic parties, triumphed at the colony's first federal election in 1955 and shared power with the British until independence in 1957. The indigenous Malay arm of that coalition, the Barisan Nasional, had campaigned on a promise to give ethnic Malays, the Bumiputera, an opportunity to own land.[368] To fulfil that promise, on 1 July 1956, the Federal Land Development Agency (FELDA) was created. The new body offered rural dwellers an opportunity to become smallholders on publicly funded estates. Initially the estates grew rubber, but when British firms embraced oil palm, FELDA offered additional grants for smallholders to replant. The advancement of palm oil was another demonstration of shared vision for the estate industry between a Malayan government and the British estates.

For Harrisons in particular, by the mid-1950s, the crop conversion programme was well advanced on the estates, and, even at that early stage, it was beginning to make a positive impact on group profits, as the figures in Table 4.4 show.

[367] Interview with Leslie Davidson 4 December 2012.
[368] The term Bumiputera is Sanskrit meaning 'son of the soil', and is used for the indigenous Malay people.

Table 4.4: Statement of Harrisons Company Accounts 1951-56[369]

Year	Profit £	Share Capital £m	Share Dividend %
1951	1,371,802	1	30
1952	1,716,297	1	30
1953	1,294,788	1	35
1954	1,212,912	1	20
1955	1,338,808	1	20
1956	1,522,324	1.5	15

The table shows that Harrisons' year end results not long before independence were very healthy. The short-lived profit boost caused by increased rubber demand during the Korean War was reflected in record figures for 1952. Although company profits dropped in the following years, an upward trend was re-established when estates began producing palm oil by the mid-1950s. Consistently high dividend awards were undoubtedly a big motivation for M&G and others to invest in the Malayan estate industry. The accounts for Guthries Oil Palm Malay provided a clearer picture of the new crop's impact on the industry, as Table 4.5 shows.

Table 4.5: Guthries Oil Palm Malay Accounts 1951-56[370]

Year	Turnover (£)	Profit (£)	Acreage
1951	1,134,095	180,311	9,337
1952	1,026,146	114,473	7,787
1953	868,758	86,283	9,627
1954	841,195	79,901	9,420
1955	853,442	82,005	9,669
1956	900,940	89,422	9,303

[369] H&C MS37017/7, figures extracted from H&C accounts for the years 1951-1956.
[370] Guthries Archives G/OPM/13 and 14: Figures extracted from Oil Palm Malaya Accounts 1951-6.

The table shows that profits on Guthries' oil palm estates did rise initially and then dipped somewhat from a high in 1951. One can speculate that this was most probably due to two unconnected factors. The early rise in profit was due to the expiration of statutory British government contracts for palm oil at the end of 1950. Previously the estates had been paid M$400 (£46.67) for each tonne of palm oil. The price, which was set in London, was well below the open market of between M$600-800 (£70-94) per tonne (See Graph 4.1 above). Those statutory contracts expired on 31 December 1950 and profits from palm oil rose accordingly. A subsequent dip in profits in 1953 was a result of the aforementioned costs to convert existing trees to Unilever's DxP palm. Thereafter, profits rose steadily for Guthries Oil Palm Malaya over the remainder of the decade. One rather surprising fact is that Guthries' oil palm coverage did not increase much during the decade. Again, one must conclude that Harrisons was ahead of Guthries in that estate conversion programme. That said, the Agency Houses were cooperating more openly on some of the big issues that faced the industry. That included seizing control of commodity prices from London.

In 1954, British estates in Malaya came together to form the Malaysian Oil Palm Growers' Council (MOPGC) in Kuala Lumpur. One of the stated aims of the MOPGC was to wrestle price control for palm oil from London and, as such, membership was opened to all private estates in Malaya, not just the British. In fact, British firms now owned around half of all estate land in Malaya.[371] There were notable benefits to membership, including access to research, collective marketing and use of bulking facilities at the ports.[372] In the spirit of the MOPGC, the two-volume Mongana Report, compiled by Unilever in the Congo, was handed to the organisation.[373] This further demonstrated the commitment made by Unilever to transfer research out of Africa, and it was one that benefitted the industry as a whole in Malaya. Therefore, the MOPGC was able to present a unified business front to

[371] Barlow, *Natural Rubber Industry: Malaysia,* Table 3.2. Various estimates have been made about the size of British estate holdings. These hover between one and two thirds. However, Barlow's research produced official evidence to support the figures in his book.

[372] Rod MacKenzie, Leslie Davidson and Henry Barlow spoke of the MOPGC, that it was a Malaysian based 'club' for local estate operators (open to all). MOPGC also represented the Malaysian expatriate position on the industry to London executives and the RGA.

[373] Interview with Leslie Davidson, 4 December 2012. This was a research report on oil palm compiled by Unilever scientists over a number of years on the estates in the Congo.

customers and authorities alike from inside Malaya, much like the RGA in London. The MOPGC also worked hard to prevent other nations gaining a foothold in the Malayan estates. Most notably, that included the United States Rubber Company. The ability of the MOPGC to project collective company strength overseas helped attract further investment and accelerated conversion to oil palm further on the estates.

As previously indicated, the consistently healthy dividend awards offered to shareholders by Harrisons were a major draw to investors and enabled the board to increase share capital to £1.5 million in 1956.[374] Furthermore, the firm's ongoing strategy of share accumulation in the estates helped construct an impenetrable corporate web of cross-company directorships. Three Harrisons' directors held 18, 12 and 11 additional directorships in estate firms alone.[375] In fact, around two dozen directors, all Agency House executives, had seats on boards of two hundred rubber companies. The Agency Houses were in a strong position to exert influence across the industry by virtue of that board representation. In 1950, a valuation of Guthrie & Company Limited assets was conducted to enable an internal transfer of shares from the chairman, Sir John Hay. Hay's one-sixth holding was valued at M$21,419,997 (£3,675.000). The shares were purchased by the Anderson family, the holders of the remaining five-sixths of equity in the company. At the start of the 1950s, the London end of Guthries was in the hands of a few individuals, all of whom were members of the Anderson family. Much like Barlows, Guthries' business was now held in a family secretariat. However, a letter by the head of the family, Keith Anderson, made it clear that it would soon be necessary to make parts of the business public by share offer.[376] That company valuation above does, however, reveal the extent of Guthries' stake in Malaya at that time. At interview, Davidson remarked that, in the early 1950s, a large number of companies listed on the FTSE held investments in Britain's global estate interests.[377] Although that claim is nigh on

[374] H&C MS37016/2, figures extracted from '1956 Statement of Accounts'.
[375] H&C MS37016/8, paper outlining Harrisons' secretarial holdings and board directorships in 1956.
[376] Guthries Archives G/MIS/10, letter by K M G Anderson to Sir John Hay dated 6 January 1950.
[377] Interview with Leslie Davidson 4 December 2012. Here Leslie was quoting a friend, Edwin Hadsley, a Chaplain in the company M P Evans. He said many FTSE companies, like Shell, ICI etc. produced fertilisers and chemicals for the industry while a number of financial firms and trusts were also indirectly invested. It is difficult to confirm Davidson's claim, however on examining the historical records for the *Financial Times,*

impossible to substantiate, Guthries and Harrisons were certainly well established and prominent fixtures on the LSE.[378] Despite some uncertainty about what the future held in the lead up to independence, the ongoing investment strategy by Harrisons and that of other Agency Houses demonstrated that London directors believed there was a future for the British Agency House in the Malayan estate industry. Richard Lindesay, former Finance Manager for Harrisons in Kuala Lumpur, had this to say about the company's future in the region: 'I think you might say that we [Harrisons] were in a permanent business. It wasn't about short-term profits; it was the long term picture [in Malaya] as you might put it.'[379]

In 1956, Harrisons valued company assets at £6.32 million and yet turnover was ten times that figure at £62 million.[380] The disparity reveals that Harrisons was still operating very much as an Agency House: an industry stakeholder, an investor and provider of services to those Malayan estates. That such a large proportion of group turnover came from those client estates in Malaya was an area of the business that the board had not tackled fully and is analysed more fully in the final two Malaysian chapters. Those chapters chart the rapid development of a Malayan palm oil industry set against a dynamic political economy both overseas and back in Britain. First though, the thesis turns once more to UAC in Nigeria after independence.

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many of the larger companies on the FTSE in 1950 were indeed in the financial services. It is true that many of those firms, M&G and Scottish Widows, had investments in the estate industry given the high dividend awards by Harrisons and others. Moreover, chemical and oil companies were most certainly invested in one way or another, as Hadsley implied.

[378] See *Three Decades of the FTSE 100*, compiled by de Poel, February 2014. Here Harrisons is one of the first firms to feature on the inaugural FTSE 100 top listed companies.

[379] Interview with Richard Lindesay, 5 December 2012.

[380] H&C MS37019/8, figures extracted from '1957 Statement of Accounts'.

Part II: post-Independence

Chapter 5: Nigeria post-Independence

Introduction

When independence arrived for Nigeria on 1 October 1960, Unilever subsidiary UAC was in as commanding a position on 'the Coast' as it had ever been. In some areas of business, that presence was in fact almost monopolistic. For Nigeria, early economic indicators were good, with the OECD declaring it a model African economy and an emerging economic powerhouse on the continent.[381] The nation was self-sufficient in food and had quite recently discovered huge reserves of mineral oil in the southern delta region. Moreover, a vast amount of revenue was still being generated by commodity exports, most notably palm oil. The lingering UAC commercial dominance may not have suited ultra-nationalists in Nigeria, but, from an economic perspective, it provided business stability and a long-established bridge to international markets which, taken together, provided the means to attract further foreign investment. This private sector strength had been instrumental in producing annual GDP growth figures that averaged 4.5 per cent prior to independence.[382] For UAC, the only Agency House of note still operating in West Africa, those economic indicators looked good in London head office. Therefore, from its vantage point at the head of the Nigerian private sector, the subsidiary was well positioned, both commercially and financially, to pursue further expansion in a nation that possessed all the requisite building blocks to become one of the leading economies in Africa.

Despite that early promise, however, after just a few years of independence, Nigeria was plunged into tribal violence and political strife, problems that were accompanied and exacerbated by rampant corruption among officials. The Biafra Civil War polarised the nation along religious and tribal lines. Moreover, government policy thereafter was heavily prejudiced by that conflict. When the economy did weaken, political leaders deflected criticism by blaming that British imperialist legacy, which included most prominently stay-behind companies like

[381] W Arthur Lewis, *Reflections on Nigeria's Economic Growth* (Paris: OECD Publications, 1967), p. 60. Here Lewis champions the Nigerian economy in a report to the OECD in which he claims: 'Rapid growth, excellent fiscal policies, reasonable attitude to foreign enterprise, a first class group of senior civil servants in the economic ministries, Nigeria has been one of the fittest candidates.'

[382] Lewis, *Nigeria's Economic Growth*, p. 11. This figure conflicts slightly with a World Bank figure of 4 per cent annual GDP growth, 1950-60.

UAC. In Nigeria, an emergent political economy would dictate business conditions thereafter and finally determine the business longevity of UAC on 'the Coast'.

The government narrative of blaming the British while ignoring corrupt practices within its own administration became what the Nigerian historian Ogbeidi characterised as 'Nigeria's political leadership since 1960 and the rhythms of corruption'.[383] Although this research does not delve too deeply into the subject, it is important to acknowledge just how pervasive this was and the damage subsequent government policy had on UAC business overall. To turn to the specific business aspects of all of this development, though: the earlier Nigerian chapter underscored just how important agriculture and downstream commodity exports were to the Nigerian economy before independence. In 1922, the palm oil trade alone accounted for some 57 per cent of Nigeria's domestic exports.[384] It was a trade that UAC had been heavily engaged in since inception in 1929. However, the conditions of that trade had been deteriorating for a number of years, and UAC's final exit did much to hasten a steady decline in Nigerian agriculture as a whole.[385] Indeed, in 1961, World Bank statistics revealed that Nigerian agriculture had contracted by 3 per cent, which coincided with UAC's move out of commodities a year before.[386] On that, Thomas laid the blame squarely at the feet of the Nigerian government:

> I don't think it was a decline in foreign investment that caused the decline [in agriculture], but government neglect and mishandling of agriculture (milking the marketing boards etc.).[387]

However, one could respond that it was British colonial policy that caused the eventual demise of Nigerian agriculture. A steadfast refusal to countenance foreign land tenure, as well as the introduction and then retention of a marketing board system to handle the nation's most valuable commodities, drained funds and deterred any real investment in agriculture. Certainly, such was the dominance of

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[383] For a particularly forthright account on Nigerian corruption, see Michael M Ogbeidi, 'Political Leadership and Corruption in Nigeria Since 1960: a Socio-economic Analysis', *Journal of Nigeria Studies,* 1 (2012), <http://www.unh.edu/nigerianstudies/articles/Issue2/Political_leadership.pdf>, (accessed, 2 May 2016)
[384] Figures extracted from Meredith, 'Decline of the Nigerian oil-palm Industry', p. 312.
[385] T Ademola Oyejide, *the Effects of Trade and Exchange Rate Policies on Agriculture in Nigeria,* (Research Report 55: International Food Policy Research Unit, 1986), p. 14. Here the author states that output of export crops fell by 17.3 per cent between the years 1970-75.
[386] World Bank statistics quoted in, Iyoha, 'Economic Growth in African Countries', p. 187.
[387]Further points raised in letter form by Tony Thomas after reviewing draft of thesis, 10 July 2015.

UAC in the downstream commodity trade before independence that it is difficult to see how the company's commitment to that point in terms of capital, facilities and people could have been replaced after independence. Government did not have the experience, expertise or financial means to fulfil the role vacated by UAC. Once the company exited the commodity trade, agricultural output and subsequent exports slowed. Or indeed, in the case of palm oil, stagnated. For UAC and its vast trading setup, there were many more areas of business to focus on, most of which were not subject to as many restrictions or government interference as the commodity trade.

This final chapter on Nigeria is again presented chronologically and mainly employs UAC archives and personal testimony alongside official sources to uncover the challenges to trade that the Agency House faced after British rule. As trade revenues from Nigeria steadily declined, the UAC board struggled to adapt to testing conditions on the ground while, simultaneously, seeking to redeploy business out of Africa. The chapter begins by examining the new UAC setup in West Africa and the type of trade that London-based management thought would offer the company a commercial future, particularly in Nigeria. The second half of the chapter examines UAC 'out of Africa' and the efforts of management to redeploy business. Over time, that effort degenerated into a desperate scramble for commercial survival.

UAC Trade in an Independent Nigeria

At independence and, after a century of British rule, Nigeria remained dependent on an imperialist mode of production built around commodity exports. However, diminishing revenues saw UAC exit the trade in 1959. The UAC board now embraced public relations drive advanced by former civil servant, now company chairman, Pedler, which aimed to give the company more of an African feel, a point noted by Decker in her thesis on British interests in post-colonial West Africa:

> While the colonial powers had left, imperial business stayed behind and forged close links to African political elites in the 1950s and 1960s. By the 1970s, they were challenged, both in Africa and internationally, as being part of a new form of colonialism.[388]

[388] Stephanie Decker, 'Building up Goodwill: British Business, Development and Economic Nationalism in Ghana and Nigeria, 1945-1977', *Business History Conference Paper,* (2008), p. 602/3. Also, there is no evidence in UAC archives to indicate that management had access to Nigerian officials. Indeed, the sale of the

UAC management did indeed seek to realign business strategy closer to the economic planning of the host nation under Pedler and moved into manufacturing to complement the firm's existing commercial interests.

As noted earlier, UAC encountered very little competition after a progressive and ruthless acquisition strategy that continued right up to independence. Its extensive business portfolio now included a supermarket chain (Kingsway Stores), logging concessions (African Timber & Plywood Ltd.), breweries (partnership with Guinness and Heineken) and shipping lines (Niger River Transport and Palm Line), to name a few. The UAC brand was everywhere and, according to Griffin and Thomas, it was highly respected by ordinary Nigerians and even over government:

> On the whole UAC was regarded utterly straight. A lot of Nigerians said that UAC is the government. That is what they said. Forget those... people to put it quite crudely, who are running the government. UAC says what happens and we like what UAC does.[389]

Of course, the views expressed by former employees cannot be substantiated however, the statement does have some credibility in light of the incidence of corruption within the political regime. It is an inauspicious characteristic that Nigeria has not yet shaken off. For the UAC business overall, though, revenues continued to be healthy despite the end to British rule, as the figures in Table 5.1 show.

Table 5.1: UAC Annual Accounts 30 Sep 1960 – 30 Sep 1962[390]

Year End	Net Profit £m	Dividend %	Reserves £m
30 Sep 1960	1.923	8	30
30 Sep 1961	1.424	8	30
30 Sep 1962	1.364	8	31

The figures in the table show that overall group profits on 'the Coast' were still solid despite a drop in 1961 caused by business restructuring. Capital reserves were also

company's Cowan Estate to the state was negotiated through the British Governor. See UPG Acc 1992/67, Box 47, visit report by Plantations Group staff dated 28 April 1971.

[389] Interview with David Griffin, 6 December 2012.

[390] UAC 1/1/1/6/31-3, UAC Director's Report and Accounts, 1960-2.

very strong and allowed the board to make consistent dividend payments to Unilever. However, the overall figures do conceal a loss for the Nigerian trade in particular in 1961.[391] Despite that, UAC's new specialised approach to trade, supported by a vast workforce both at home and abroad, appeared equipped to meet the challenges that lay ahead.

In late 1959, moreover, UAC's privileged status in the Unilever group was augmented by the move out of Unilever House into a new UAC headquarters across the Thames. As before, the subsidiary's autonomous position was ensured by two factors: the specialised aspects of trade in West Africa compared to Unilever's core manufacturing; and substantial profits. As long as UAC made money for the parent company then the Special Committee was unlikely to interfere in the running of the subsidiary. That said, it would seem that some in the parent company were already worried about the long-term future of trading in West Africa'. A former Deputy Director, Richard Greenhalgh, drew reference to this and UAC's unique status within the overall Unilever business fleet:

> [UAC] was an interesting and diverse business. UAC were entrepreneurial and bought and sold businesses when others did not. However, even a 1960s [1959] study revealed that there was a threat to its future.[392]

Greenhalgh highlighted here that Unilever management was flagging up weaknesses in the subsidiary business model. Moreover, in the paper he refers to, 'An International Business', there is little doubt that many of the findings applied to UAC. Crucially though, the parent company decided not to intervene on UAC business for another two decades, and the question is why? It could be argued that the UAC board thought of the subsidiary as a standalone multinational firm with just one shareholder, Unilever. After all, UAC was neither a holding company nor dependent on a single trade but a large conglomerate with commercial interests in a number of nations. The board therefore probably thought of UAC as an indispensable asset and, at times, practically a commercial equal to Unilever. Griffin implied as much when he spoke of UAC thus. 'We supplied members to the board

[391] UAC 1/1/1/6/31-3, UAC Director's Report and Accounts, 1960-2. Breakdown on profit figures, additional notes. A loss on trade in Nigeria recorded due to factory build costs.
[392] Unilever Archives, GB1752.OH/53, UAC Company staff recorded memoirs, Richard Greenhalgh, 6 July 2010.

of Unilever rather than the other way round.' Company records confirm this, and, perhaps tellingly, it was now Unilever directors who crossed the Thames for briefings at UAC House rather than the other way round.[393] Although the parent company had commissioned the 1959 report on trade in an international setting, it would appear that UAC management paid little attention to dangers raised, when perhaps they should have. This in itself speaks volumes about the relationship that existed between Unilever and UAC. However, the decision noted above for UAC to leave a historically lucrative commodity trade must have raised some eyebrows in Unilever.

Despite the financial pain incurred by moving away from commodities altogether, however, UAC management believed necessary to preserve overall business. Thereafter, UAC immediately sold of the bulk oil installations at Abonnema, Burutu, Calabar, Koko, Opobo and Port Harcourt to the Nigerian Central Marketing Board.[394] The River Niger fleet, responsible for transporting produce down river, was largely retired and a feasibility study was commissioned for the continued operation of the Palm Line. Somehow the latter survived. This all took place at a time when Unilever's PAMOL was opening a second oil palm estate in British North Borneo. Of course, by then, UAC no longer managed estates in Africa and therefore took no part in the new venture. It is, however, worthy of conjecture that if management had retained earlier convictions about palm oil production then perhaps the exit from the commodity trade would not have been so final or indeed deemed necessary to preserve the wider business. UAC estate management staff might well, then, have played a role in Unilever's oil palm venture in Malaysia and, in doing so, redeployed some company assets out of West Africa. That UAC did not, however, and therefore the only question now was: what would replace that commodity revenue?

[393] Interview with David Griffin, 6 December 2012.
[394] UAC 2/19/AJ, papers relating to the sale of UAC holding in Bulk Oil Plants of Nigeria Ltd to the Nigerian Produce Marketing Company.

UAC's in-house *Strategic & Economic Review* of 1963 indicated corporate thinking at that time, and laid out what was believed future core business, which can be summarised in this way:

> 1. Specialised distribution and marketing of a selected -as distinct from a comprehensive- range of lines of merchandise on behalf of, or in conjunction with, both overseas and local manufacturers.
> 2. The setting up and operating of local industries, usually on a wholly owned basis and sometimes in collaboration with technical or other partners to manufacture and process a widening and progressively sophisticated range of goods, many of which hitherto have had to be imported.[395]

UAC management decided to focus on agency work, to market and sell goods of other international companies throughout West Africa. The business also came with the promise of after-sale services and other add-ons. After all, UAC had always been an attractive sales agent to other western firms wishing to sell their goods in Nigeria given the company's well established footprint.[396] The trade did, however, depend on a Nigerian regime allowing import of finished goods from abroad at a time when 'import substitution industrialisation' was being hailed by world bodies as a means towards economic development.[397] As such, any proposal by UAC to invest in local manufacturing was generally well received; however permission to bring in other western goods often came with strings attached, some of which were costly. One such condition applied to Guinness, which had always been a favourite tipple for Nigerians. Government demanded that the stout be brewed locally with a percentage of local ingredients. As a result and somewhat ironically, the company was forced into agricultural production and granted farming land in Northern Nigeria to grow sorghum. However, the venture was a disaster as sorghum noticeably altered the taste of Guinness. Nigerian drinkers hated it, and the company was forced to abandon the farming venture and incur substantial losses.[398]

[395] UAC 1/11/19/28, 'Redeployment: an aspect of development in tropical Africa', *Statistical and Economic Review, 1963,* 28, p. 6.

[396] Email response from Tony Thomas, 7 November 2015 regarding critique of final thesis paper.

[397] For a comprehensive analysis of sub-Saharan ISI see Kanayo Ogujiuba et al., 'Import Substitution Industrialization as Learning Process: Sub Saharan African Experience as Distortion of "Good" Business Model', *Business and Management Review,* 1 (2011), pp. 8-21.

[398] Interview with David Griffin, 6 December 2012. Griffin explained that malt imports were prohibited therefore UAC funded a farm in Northern Nigeria to grow Sorghum. However, the Nigerians 'hated' the new Guinness recipe and the farm was eventually sold with company incurring huge losses ('millions'). Eventually

In some other industries, partnerships were formed between western firms and/or the Nigerian government. This was not a particularly new strategy *'per se'*: as early as 1956, the company had acquired a 20 per cent stake in the Nigerian Pre-stressed Concrete Company Ltd. Thereafter, to fill the void space on the outward leg to Nigeria, the Palm Line shipped cement from Europe. The venture was the first of a number in that new specialised trade strategy pursued over the next decade. By 1965, the company had moved on to develop large stakes in a good number of manufacturing enterprises across Africa, as Table 5.2 shows.

Table 5.2: UAC New Manufacturing Business on 'the Coast' – 1956-65[399]

Market Entry Year	Manufacturing Industry (some in partnership)
1956	Cycle Assembly Plants in Ghana and Nigeria
1958	Vehicle assembly plant at Apapa in Nigeria
1958	Heineken Brewery at Kumasi in Ghana
1959	Vono beds and mattresses at Lagos in Nigeria
1960	Office furniture factory in Kenya
1960	Cement paints factory in Nigeria
1960	Bottling plant for Guinness and a brewing facility in 1962
1962	Seward toiletries factory at Jamestown in Ghana
1964	Equity share in personal products firm in Ghana
1965	Processing plants and textile factory in the Congo

As the table shows, UAC quickly moved into manufacturing while also setting up several new agency franchises to handle the goods that authorities were willing to allow into Nigeria. Of course, start-up capital was needed for each new venture, most particularly for those that required local manufacture. That financial requirement did though deter competing firms, both foreign and indigenous. On the plus side for UAC, the requisite skills to launch new manufacturing endeavours were available in-house. It is therefore, rather surprising to learn that no documents in the archives indicated that those skills were ever requested from Unilever, save for

Guinness found a way round legislation by importing 'Liffey Water' which 'may or may not' have also contained the aforementioned and prohibited malt content.

[399] UAC 1/2/4, UAC Directorate: Divisions and Subsidiary Companies Acquisitions, dated 1 June 1966.

running the Lever Brothers soap factory at Aba in Nigeria.[400] Again, one can only surmise that UAC management remained intent on protecting the subsidiary's own quasi-corporate status and cherished business autonomy. Nevertheless, this again throws light on a unique relationship between parent company and subsidiary. It also reveals a weakness in the overall Unilever setup: the unwillingness, perhaps by choice, to draw upon the extensive resources and capability on offer within the parent company was apparent throughout the history of UAC.

The success of some new agency contracts saw costs spiral as a result of increasing demand, a situation that was recalled and expanded upon by Thomas:

> Once Nigeria became more important as a market, there emerged a lot of commercial pressures. It is cheap to sell out of a shack but the manufacturers came to say, we are not having our stuff sold there, we want a proper showroom. Now showrooms don't come cheap. Manufacturers also decided that their products required proper marketing and to exert more control over this. Add in increased competition and pressure to manufacture some imports locally and there were a number of commercial pressures on us on the trading side, this coincided with the chopping of our earnings from produce buying.[401]

In effect, UAC again became a victim of its own success in opening up the Nigerian market to western goods. As sales increased, drawing competition, suppliers began demanding more attractive sales outlets and marketing campaigns. As selling agent for these goods, UAC was forced to modernise retail premises which cost money. Despite the challenges encountered in this agency work, however, UAC profits had picked up again by 1965, as Table 5.3 shows.

Table 5.3: UAC Annual Accounts 30 Sep 1963 – 30 Sep 1966[402]

Year End	Net Profit £m	Dividend %	Reserves £m
30 Sep 1963	0.556	0	32
30 Sep 1964	0.666	0	32
30 Sep 1965	1.508	4.5	33
30 Sep 1966	1.235	0	34

[400] UAC 1/2/2/3/6/1 & 2, UAC/Unilever Liaison: Lever Brothers Nigeria Ltd. Correspondence, April 1982 - April.
[401] Interview with Tony Thomas, 6 December 2012.
[402] UAC 1/1/1/6/34-37, figures extracted from Director's Report and Accounts 1963-6.

The table shows that, immediately after the company's move into specialised trade and manufacturing, profits dipped in the years 1963 and 1964 to less than half the previous (see Table 5.1). Profits did recover somewhat in 1965, but, to ease cash flow, the board cancelled dividends to Unilever for three out of the four years. That fall-back option would not be available to the board when Nigerian nationals joined the share register of locally listed associate companies, a subject revisited later in this chapter. However, for the time being, the company was committed to specialised trade and agency work. It was a commercial strategy that was thought less risky, would enable expansion in Nigeria and offered opportunities to transfer business to other nations. Despite the company's strength in business, as the most prominent British firm in Nigeria, UAC was an obvious target for emerging nationalist disquiet. That evolving relationship with the Nigerian government would soon come under strain.

<u>The new Political Economy of Nigeria</u>

In truth, any influence that UAC could bring to bear on the Nigerian authorities ended with the demise of the Legislative Council back in 1956, a body that had been chaired by the company. Thereafter, UAC directors in London anticipated rather than shaped subsequent policy directives on trade in Nigeria. The company did press the business case to the government wherever possible, and reports in the company archives record official meetings to discuss subjects like trade unions, wages and pensions.[403] However, as mentioned previously, after independence it was risky to get close to politicians of a particular tribe. Therefore, the unwritten rule for UAC was that political affiliations should be avoided.[404] For the ordinary Nigerian, though, the UAC brand was apparently much liked and reflected well on the company, both commercially and even politically, a point Griffin again wanted to highlight: 'Local indigenous Nigerians thought that UAC was the government of Nigeria and told the [actual] government what to do.'[405] Again, Griffin's view cannot be substantiated; however sentiments of that sort would not have endeared the

[403] UAC 1/3/6/2/7, there are several visit reports by visiting London staff that report meetings with Nigerian officials. These appear to address specific issues including, Trade Unions, Wages and Pensions.
[404] Interview with Griffin and Thomas, 6 December 2012. Both indicated on different occasions that it was extremely unwise for UAC staff to become closely linked to any Nigerian politician. Indeed Unilever policy stipulated that employees should not become associated with Nationalist political parties.
[405] Interview with David Griffin, 6 December 2012.

company to the political elite. Indeed, despite any popularity on the ground, company influence within government circles was ebbing away. Part of the reason for this lay with Unilever's corporate policy of refusing to countenance any form of political patronage, a central tenet of the parent company's policy overseas and one confirmed by all interviewed.[406] The difficulty with that approach was that it did not fit with a Nigerian culture that had actually been influenced and largely shaped by the British. In days gone by, Griffin reflected that:

> When the traders went out to Africa and off the boats they had with them some beads, some gin, to go to the local chief there because they wanted to set up trade and so they gave them a dash. And this became part of the culture inculcated into Nigerian society that if you go to somebody you automatically have an enticement with you. So it became part of the culture of Nigeria and when I went to see my local Chief I would not go without taking him a present, it was usually a carton of Guinness.[407]

And there, in a nutshell, lay the conundrum for the firm when dealing with Nigerian officials. While local company management may well have engaged in the minor levels of patronage revealed by Griffin, the practice was never repeated higher up the chain of command. The underlying issue, though, was that patronage and similar practices in Nigeria were expected at all levels. That same point was made by the historian Ogfbeidi who stated 'corruption has attained an unimaginable height and is currently assuming pandemic proportion in Nigeria'.[408] The fact that UAC assumed the moral high ground did not endear the company to a government well accustomed to patronage. Thomas had this to say on that very point: 'In West Africa the possession of a rubber stamp is the pathway to gold.'[409] One also recalls the previously mentioned stance that UAC took when refusing to subscribe to a Nigerian national loan back in 1958. Of course, back then, Nigeria was still under British rule, and it was a very difference scenario for business now. It was a dilemma that the UAC board sat in London never came to terms with despite the fact that local management in Nigeria clearly had. It was no surprise, then, when the Nigerian

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[406] Interview with David Griffin and Tony Thomas, 6 December 2012. The subject of bribery and graft among politicians was broached however, both respondents vehemently denied that UAC was every involved in such practices. Griffin stated forcefully that he never passed 'over 1 Kobo' during his time working on the Coast. Moreover, Thomas added that if an employee was found to be involved in malpractices of this type, they were immediately fired. Both did however imply that other foreign firms were not as rigorous or honest in dealings.
[407] Interview with David Griffin, 6 December 2012.
[408] Ogbeidi, *Political Leadership and Corruption in Nigeria*, p. 21.
[409] Interview with Tony Thomas, 6 December 2012.

government introduced an early directive that took aim at UAC and other foreign firms. All foreign companies were ordered to replace expatriates with Nigerian nationals following the introduction of the same scheme, somewhat haphazardly, in the public sector.

In fairness to UAC management, it is clear that the directors in London were very good at anticipating legislation before it was enacted in Nigeria, and this, in itself, is testament to Pedler's previous experience in the civil service. As such, UAC had embarked on an in-house local training programme well in advance of the Nigerian indigenisation directive. In fact, employing locals overseas was a major part of Unilever's global vision. In that aforementioned 'International Business' paper, the Unilever chairman Lord Heyworth had written:

> We carry responsibility for running the business. This is a responsibility which we are anxious to discharge, as far as possible, through locally recruited managers. Local knowledge is most readily found in local men.[410]

By 1960, in fact, UAC ran eight technical training schools in Africa, five in Nigeria and one each in Ghana, Sierra Leone and Kenya.[411] That five schools were in Nigeria again underscored the importance of the nation to the firm. It also indicated that perhaps some of Unilever's warnings in the 1959 paper were starting to be heeded overseas even if moves in this direction arose out of economic necessity, in particular the fact that expatriates were becoming very expensive. Indeed, it is worth noting that the first UAC School at Burutu on the Niger Delta had opened its doors to around one hundred students back in 1934.[412] By 1965, the company's various technical schools were turning out somewhere between 500 to 750 students each year with one former employee claiming that the largest college at Igbobi in Lagos supplied around 40 per cent of all engineering management posts in West Africa.[413] Griffin had this to say on the company's long-established training strategy and obvious compliance with indigenisation policy: 'We had no trouble [with the

[410] Unilever, *an International Business, p. 6-7.*
[411] UAC 2/19/3/4, UAC of Nigeria Ltd: Training Schemes and Courses.
[412] Wilson, *Unilever 1945-1965,* p.224.
[413] UAC 1/11/9/28/14, papers relating to UAC training school numbers. Also, UAC 1/3/5/1/15, Visit Report by Tueart. Here the author comments on Nigerian Civil Service and UAC staff training, 6-25 August 1978.

legislation] as we followed our own indigenisation policy. It was our policy to bring on young managers and the graduates who joined us.[414]

In fact, the main challenge that UAC management faced was holding onto those trained staff, a point that Griffin again picked up on:

> If you were a clerk in UAC or a junior manager you had the equivalent of a degree as far as government was concerned. If they wanted someone they would poach our people to go and work for them because the training they got in UAC was deemed straight down the line, no corruption.[415]

Despite retention issues, however, the training and employment of local labour were economically shrewd policies and improved the company's profile as a local employer. The practice of piggy-backing indigenous workers onto expatriates was used company-wide to enable thorough oversight, a practice that Lewis referred to rather disparagingly:

> The role of the foreigner is that of the tutor; a sometimes likeable but usually tiresome fellow, from dependence on whom one wishes to escape at the earliest possible moment.[416]

Lewis's statement, however, ignores a fundamental problem that all foreign firms faced when recruiting locally. In 1960, the gross rate of enrolment in African primary schools was just 36 per cent compared to 67 per cent for Asia.[417] These privately funded facilities therefore offered Nigerians a means to attain qualifications, and as such the piggy-backing practice was a small price to pay. It was also inevitable that UAC students would become coveted by public bodies like the civil service and army. In fact, Griffin told of an encounter with one former UAC employee whom he had previously managed. On leaving the company, the man had joined the Nigerian army and had risen to the rank of General.[418] In that respect, UAC training schools served the wider economy of Nigeria well and produced educated and proficient workers. Of course, not all Nigerians viewed the contribution by UAC so positively.

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[414] Interview with David Griffin, 6 December 2012.
[415] Interview with David Griffin, 6 December 2012.
[416] Lewis, *Report on the Industrialisation and the Gold Coast,* (Govt. Print Dept, 1963), p. 22.
[417] Aïcha Bah-Diallo, *Basic Education in Africa,* at the International Seminar on Basic Education and Development Assistance in Sub Saharan Africa, 3 March 1987.
[418] Interview with David Griffin, 6 December 2012.

Indeed, many a Nigerian businessman and/or politician could and did argue that the lasting business dominance exercised by British companies had rendered the economy foreign-dependent and export-orientated. Quite what the economy would have looked like without the British is open to conjecture, however it did not stop leading Nigerian politicians from condemning that lingering presence. Soon after independence, a Federal Minister of State complained that 'the economy of our country, strictly speaking, is not in our hands. Over 70 per cent of our overseas trade is controlled by forces over which we have no control.'[419] In 1962, a new Immigration Law was introduced which excluded foreigners from 'entering the country in a trade or calling, which is already adequately served by Nigerians, or who seek individual agricultural settlement...'[420] The directive made little impact on UAC largely because of that aforementioned local training and employment scheme, however it was not long before other parts of the business came under fire.

Clearly nationalism and, in the case of Nigeria, tribalism were surfacing after years of suppression under British rule. This was most evident in the resource-rich east and west of the country, where growing disquiet was being stoked by local politicians. Criticism was directed at an ineffectual Federal administration in Lagos that was dominated by northern politicians and who were accused of being products of the imperialist education system. The huge market share of British companies like UAC was cited as evidence of subservience to the former power. To placate critics, government introduced a raft of policies designed to increase local participation in the private sector. In 1964, it announced that preferential contracts would only be offered to companies with 10 per cent of their shareholding in Nigerian hands. As it turned out, UAC again anticipated the legislation. In 1960, the UAC board had passed a resolution making available 10 per cent of shares in Nigerian Breweries Ltd.[421] At that time, few companies were listed on the infant Lagos Stock Exchange, which had only started trading in 1961.[422] The board surmised that an opportunity to

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[419] The Federation of Nigeria, Hansard (House of Representative Debates, Session 1961-62, Vol. 1; Lagos, Federal Government Printer, 16 November 1961), p. 2943.
[420] The Federation of Nigeria, *Immigration Act* (Cap. 84), 1962, (visit to Nigerian Embassy, London, 6 July 2013).
[421] UAC 1/1/2/3/3/6, Board Minute 811, 5 July 1960.
[422] The Nigerian stock exchange was established in 1960 and commenced trading on 5 June 1961 listing 19 securities. Equity take up was slow, in part caused by the departure of so many expatriates post-independence

buy shares in a UAC-associate company would be popular and, so it proved. The theme of equity transfers to nationals was one the Nigerian authorities would revisit more forcefully, however, in later years.

In 1968, government took another swipe at foreign business interests by unveiling a Companies Decree Act in 1968 which stated that:

> Every foreign company shall in respect of its operation in Nigeria be deemed to have been incorporated under this decree as a separate entity from the company incorporated outside Nigeria in whose name a place of business in Nigeria was established, and the company to have been incorporated in Nigeria shall have as part of its name (unless already therein) the word 'Nigeria'.[423]

Again it would appear that the management of UAC anticipated this type of legislation by previously registering parts of the business locally (and elsewhere in West Africa). One can only speculate what the outcome might have been had there been a form of collective company action to oppose the legislation. The Nigerian government was fragile, and it did not have sufficient capital reserves to buy out the British companies. Would expropriation of foreign assets resulted, as it did in other former colonies? Of course, the main reason why there was no large trade association or business representation in Nigeria was simply due to UAC's commanding trade presence, which was, perhaps ironically, also probably a reason why UAC was ineffective acting on its own. The company structure in the Nigeria private sector was very different to that of Malaysia in this respect. Most probably, the obvious lack of commercial resistance in Nigeria was also a reflection of UAC strategy to appease and cooperate with authorities in order to secure a long-term business future after independence. It was an argument that was supported by former employees.[424] As the decade progressed, the fragility of the Nigerian government became increasingly evident and finally crumbled along tribal lines, with terrible consequences.

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and a lack of capital amongst Nigerian nationals. See Ranald Michie, *the Global Securities Market: a History,* (Oxford: OUP, 2006), p. 227.

[423] Decree No. 51 of 1968 (Companies Decree, 1968), Federal Republic of Nigeria, *Official Gazette,* No. 70, Vol 55, 16 October 1968 (Part A), Section 369 (1).

[424] Interviews with David Griffin and Tony Thomas, 6 December 2012 and 6 July 2014. Both often commented that UAC was there for the 'long-run' and therefore trade strategy was tailored around the Nigerian government policy mainly for self-preservation purposes if nothing else.

The Consequences of War for UAC

The borders of Nigeria, like those of many former colonies, had been arbitrarily drawn by British bureaucrats in London at the end of the 19th century. The borders enclosed the lands of the three major tribes in the region, as shown in Image 2.1 on page 66 above. At independence, the historical tribal and religious divisions, subdued under British rule, were exposed. In January 1966, the federal government was overthrown in a military coup by Igbo troops from the east. During the takeover, the prime minister, a federal minister, two regional premiers and several top army officers, all members of the Northern Hausa tribe, were assassinated. That coup was followed six months later by a pogrom of Igbo people living in the north and a further transfer of power. On 30 May 1967, the eastern region, or Biafra, declared secession from the Nigerian Federation, and civil war ensued. As the former imperial power, Britain was under intense pressure to intervene and finally came to the aid of the northern and western alliance. The supply of British arms helped defeat the eastern army, and, after three years, hostilities ceased on 15 January 1970.[425]

For UAC, large parts of the business were in the east of the country, and therefore, when the expatriate staff had been evacuated, trade there dried up. It is a reflection of the company's training that many local staff continued to turn up for work despite obvious dangers. Griffin himself, spoke highly of UAC staff in the eastern region of Nigeria and the loyalty they showed to the company:

> At the close of the Biafra War I moved down to the south to Biafra to discover that throughout the war period our local Nigerian managers had continued to operate on a limited business; kept full records of transactions, banked all receipts of cash and upheld the high standards expected by the company.[426]

At the height of the conflict, a number of shortages generated trading opportunities for foreign companies to profit. Thomas, however, maintained that UAC never attempted to exploit the trade shortages that war had caused:

> There were periodic shortages particularly during the Civil War and there was a lot of profiteering. Again UAC locally...tried to avoid this. We were there and

[425] There are several publications on the Nigerian Biafra War. However, for an accurate account, see Alfred Obiora Uzokwe, *Surviving in Biafra: the Story of the Nigerian Civil War,* (Lincoln: iUniverse, 2003), pp. 1-248.
[426] Interview with David Griffin, 6 December 2012.

> we knew damn well we could make a short-term fortune but shortages will eventually end and compared with some other traders, we were there for the long run.[427]

Regardless of Thomas's statement, UAC certainly did record some very impressive profits during the Biafra War, as the figures in Table 5.4 below reveal.

Table 5.4: UAC Annual Accounts 30 Sep 1967 – 30 Sep 1970[428]

Year End	Net Profit £m	Dividend %	Reserves £m	Turnover £m
30 Sep 1967	1.284	6.25	15	63
30 Sep 1968	2.292	10	15	56
30 Sep 1969	1.316	0	15	64
30 Sep 1970	1.095	10	15	74.7

The table shows that company profits in 1968 were much higher than the previous year. Moreover, the dividend paid to Unilever also rose to 10 per cent, although dividends were cancelled the following year. Shipments of merchandise arriving from Britain increased precipitously towards the end of the decade and accounted for half of group turnover.[429] Clearly, UAC trade enjoyed a significant upswing during the war, a point confirmed by the figures in the table. This, though, is also a testament to the resilience of UAC in the West African region as a whole, despite difficult trading conditions in Nigeria. At the end of the war, a military government was installed which ruled for the next three decades, despite a brief return to democracy in 1979. The introduction of military rule was accompanied by an upsurge in economic and political nationalism, and the UAC board steeled itself for the challenges that lay ahead in a much altered and more challenging political economy in Nigeria.

A Second National Development Plan to cover the years 1970-4 was hastily published by the new military regime. That plan specifically addressed the parts of

[427] Interview with Tony Thomas, 6 December 2012.
[428] UAC 1/1/1/6/38-41, Director's Report and Accounts 1967-70.
[429] UAC 1/1/1/6/32, Annual Report for year ending 30 September 1970 revealed that Exports from the UK total £33.6m of UAC overall reported turnover figure.

the private sector that were still dominated by foreign companies. For the UAC board, the tone and thrust of the decree was extremely worrying, as this excerpt from the Nigerian Enterprises Promotion Decree Act (NEPD I) reveals:

> It is vital…. for government to acquire and control on behalf of the Nigerian society the greater proportion of the productive assets of the country. To this end, the government will seek to acquire, by law if necessary, equity participation in a number of strategic industries that will be specified from time to time. [430]

NEPD I was released in 1972 forcing the UAC board into a major review of commercial policy in Nigeria. The decree directed that different types of business be placed into separate schedules and ceilings set on foreign share holdings. All of the existing commercial activities of UAC in Nigeria fell under one or another of these headings:

Schedule 1	-	Small-scale enterprises, especially retailing, but excluding large department stores and supermarkets
Schedule 2	-	Intermediate scale and technology enterprises, but excluding large industries.
Schedule 3	-	Remaining types of enterprises including banking, insurance, vehicle assembly and mining - all exempt from legislation.[431]

The companies with business that fell under Schedule 1 were directed to sell all assets, including equity, to indigenous buyers or the state. Those in Schedule 2 were ordered to set aside 40 per cent of equity for local purchase immediately. Fortunately for UAC, most of its Nigerian business escaped Schedule 1 by virtue of group size. The majority fell under Schedule 2 and, as a consequence, equity would have to be made available to local Nigerians which would impact on the overall ownership of the company. No longer would the London board enjoy absolute control over business assets in Nigeria. The deadline for compliance was set for March 1974. This time, the board had not anticipated legislation, so there was no fall-back defensive option to mitigate the proposed and compulsory transfer of equity.

[430] Nigerian National Archives, NEPD legislation 1971, (visit to Nigerian Embassy, London, 6 July 2013).
[431] Nigerian National Archives, NEPD legislation 1971, (visit to Nigerian Embassy, London, 6 July 2013).

A swift decision in London headquarters was therefore necessary, and, in May 1972, four options were therefore put before the board. Each would fulfil the demands of the NEP and yet still retain majority control of business assets held in Nigeria:

Option 1	-	Only offer shares in a select few Nigerian companies.
Option 2	-	A sale of shares in UAC (N) only and hive of Central Services into a separate company registered outside Nigeria.
Option 3	-	Amalgamate all Nigerian companies into UAC (N) and offer 40 per cent of shares thereafter.
Option 4	-	Amalgamate all Nigerian business into two companies, GB Ollivant (GBO) and UAC (N) and then make the required offer of shares.[432]

Crucially, the board took several months before finally coming down in favour of Option 4. There being nothing to indicate otherwise in the archival material, it would appear that the board was just slow in making that decision. However, despite claims to the contrary, there is nothing in the archival documents to suggest that UAC sought to evade the NEP legislation.[433] It would appear, the board was resigned to comply from the start and, on 25 August 1972, formal application was made to the Nigerian Enterprises Promotion Board to merge business assets in Nigeria into two companies, GBO and UAC (N). What follows in this chapter applied to both companies, however the difficulties encountered by UAC (N) specifically, the larger of the two, revealed more about the complexity of the struggle with Nigerian authorities that ensued. For that reason the remainder of the UAC story concentrates mainly on that company.

UAC (N) and Nigerian Indigenisation

UAC (N) was by far the larger of the two companies and, on 5 January 1973, share capital was increased from £N5m (£3.125m) to £N11.88m (£7.425m), reflecting the addition of a further 14 companies.[434] Thereafter, formal notice was communicated to the LSE that UAC intended to offer 40 per cent of the equity in UAC (N) to local

[432] UAC 1/1/1/5/31, Board Committee Minutes, 11 May 1971, 'Local Participation - Nigeria'.
[433] Biersteker, *Control of the Nigerian Economy,* pp. 154-158. The author claims that UAC and other foreign firms attempted to evade the legislation. Research undertaken by the author could find no evidence of this, while Thomas continually affirmed that UAC fulfilled the remit of the NEP in full.
[434] UAC 1/9/4/1/1/16, UAC Corporate Planning Department: Nigeria Development Strategies – Local Participation papers.

Nigerians at an opening price of £N0.50 (£0.3125) per share. That price incorporated a generous 10 per cent discount on existing valuations, with the share issue expected to generate the company around £N9.6m (£6m), all of which was earmarked for repatriation to London. The Nigerian authorities deliberated over this offer for a year with the result that, on 22 March 1974, the Ministry of Finance formally objected arguing that the share price should be set independently by the Capital Issues Committee (CIC) of Nigeria. After more delay, a six-month extension was granted to conclude the equity sale, but not before the CIC had recommended a lower price of £N0.40 (£0.25) per share. That price was completely unacceptable to the UAC board which had reported in the company accounts of 30 September 1973 that true value for each share had increased to £N0.57 (£0.35). To compound matters, that new figure did not take account of an estimated £N0.29 (£0.18) per share after Nigerian property assets were added.[435] Unfortunately for the board, however, a short time-scale, concerns about the public's perception and the weight of Nigerian officialdom were against them. In the end, UAC capitulated and accepted the lower share price proposed by the CIC.

When sanctioning the sale, Unilever's Special Committee stated that it was 'better to have 60 per cent of £8m or £9m than 100 per cent of possibly nothing at all.'[436] The UAC board did, however, forcibly make its displeasure known to the Nigerian government. This though, was probably counterproductive and arguably unnecessary, as it had no bearing on the final outcome and doubtless played on the minds of officials responsible for subsequent legislation. Despite concerns in London over whether all of the shares would be bought, the issue was in fact eight times over-subscribed.[437] When the sale was completed, a next setback to company plans arrived when the CIC indicated that only half the capital could be repatriated to London (approximately £5 million); the rest had to be reinvested in Nigeria. The board made a counter proposal that those funds be used to pay off an outstanding Nigerian state debt owed to UAC (International), London headquarters of the company. Unsurprisingly, the Ministry of Finance jumped at the opportunity to write

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[435] UAC 1/1/3/3/5/2, Board Committee minutes and memoranda dated September 1973.
[436] UAC 1/1/3/3/5/6, Special Committee/UAC minutes 26 dated 9 July 1974.
[437] UAC 1/1/3/3/5/6, Board Committee minutes dated 24 June 1974.

down this debt.[438] The remaining £2.5 million was loaned back to UAC (N) in the form of second debentures with an interest rate set at 8 per cent per annum and a final payment scheduled for on or before 1 January 1980.[439]

In the months that followed, some UAC senior management referred to the equity transfers as partial expropriation of company assets.[440] However, in many ways, UAC got off lightly in Nigeria compared to British companies in other African nations, where assets were seized with no compensation. This, though, did not stop the UAC board from lobbying British authorities and requesting that the Foreign Office lodge an appeal with the Nigerian Federal Commissioner of Finance. However, the British High Commissioner to Nigeria intervened to advise that any appeal would fail and merely heighten the hostility held towards British interests in the country.[441] Again here, politics took precedence over the commercial and financial concerns of UAC. In any event, the issue of equity was not as damaging as expected as an oversubscribed and low share price offer appeared to indicate that distribution among Nigerians was extremely wide. London faced no board challenge nor, in fact, did the newly formed local UAC (N) board which, in 1974, still numbered five British expatriate directors out of a total eight, including a British chairman. Moreover, having Nigerians on the share register provided a form of defence against further government action. The historian Thomas Biersteker concluded that events demonstrated that 'the multinational proved more than a match for Nigerian nationalist intentions.'[442] Although the outcome was not as clear-cut as Biersteker implied, the new and streamlined Nigerian business set-up had much to offer. Profits rose as trade in Nigeria improved and UAC (I) reaped higher returns from a 60 per cent holding in an operationally efficient UAC (N) and GBO compared to the previous 100 per cent holding in a number of constituent firms. It is therefore important to contextualise the loss of absolute board control over assets in Nigeria against the annual returns for the 1970s, shown in Table 5.5.

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[438] UAC Head Office in London was in 1972 renamed United Africa Company (International).

[439] UAC 1/1/3/3/5/7, UAC Memorandum dated 1 December 1974.

[440] UAC 1/2/2/1/8/7, UAC Directorate: Correspondence concerning Senior Management. Visit reports by Cornock-Taylor addressing UAC (N) and GBO structures, January 1974 – December 1976. The directors are forthright in assessing the new commercial setup and one refers to the equity sale as 'partial expropriation'.

[441] UAC 1/1/3/5/6, Board Minute 7036 dated 2 July 1974.

[442] Biersteker, *Control of the Nigerian Economy,* p. 156.

Table 5.5: UAC (I) Annual Accounts 30 Sep 1971 – 30 Sep 1978[443]

Year End	Net Profit £m	Dividend %	Reserves £m	Turnover £m
30 Sep 1971	2.059	10	15	74.7
30 Sep 1972	2.161	12.5	14	70
30 Sep 1973	2.557	12.5	14	76.2
30 Sep 1974	5.432	20	16	79
30 Sep 1975	9.314	25	23	143
30 Sep 1976	16.735	30	9.5	190.5
30 Sep 1977	19.454	10	19	314
30 Sep 1978	24.411	17.5	26	330.5

The table shows that in 1978, UAC (I) turnover had quadrupled since the start of the decade, and net profit was twelve times that of 1971. Much of that profit was generated by merchandise exports to Nigeria which, in 1978, were valued at £174 million. A shareholder in UAC (N) or indeed GBO would have reaped handsome dividends from an investment in the company. Revenues were further boosted by what UAC loosely termed 'service charges' levied on the associate companies. Thomas revealed evidence of these hidden charges at interview: 'London had long levied a Service Fee, of 2% on turnover (in addition to a buying commission)'.[444] Moreover, UAC profits were again propping up Unilever, this time during the 1973 global oil crisis. Jones went so far as to claim that Unilever depended on UAC profits so much during the 1970s that the health of the Nigerian economy was as important to the parent company as it was to the subsidiary.[445] Perhaps at this juncture, the London board may, quite understandably, have started to think that a corner had been turned in Nigeria. Those sentiments did not last long, though: in 1976, news reached London that the Nigerian government was proposing a further round of compulsory equity sales for all foreign companies.[446]

[443] UAC 1/1/1/6, UAC Board Corporate Records: Director's Report and Accounts 1971-8.
[444] Email response from Tony Thomas, 7 November 2015 on reading this thesis.
[445] Jones, *Renewing Unilever,* pp. 57, 79, 197.
[446] Unilever Archives, UAC 1/1/3/5/8, UAC (I) Memo by P J Galbraith, 2 February 1976.

In January 1977, NEPD II was released, the second offensive on foreign business assets in just five years. The new legislation proposed raising the Nigerian share of equity for companies in Schedule 2 to 60 per cent. Moreover, no individual would be allowed to buy more than 5 per cent of shares on offer in any single company. The latter clause was included after it emerged that, contrary to views within UAC that the share register was now widely dispersed, some well-placed Nigerians had subsequently managed to secure huge holdings in the first share issue. In fact, Biersteker estimated that just 20 Nigerian nationals or family groups had somehow managed in the aftermath of the share issue to secure the majority of shares offered.[447] The 5 per cent clause was therefore included to prevent any reoccurrence. A further 24 types of trade were added to Schedule 1, which moved UAC assets such as shipping, retail, wholesale trade and manufacturing divisions into the first schedule and subject to sale. The release of NEPD II must have caused dismay in London as directors faced the prospect of losing majority control of the two Nigerian companies. The board immediately lobbied the Nigerian government which had some success as an exemption clause was inserted in the legislation stating that an enterprise or holding company that fell under Schedule 1 but with an annual turnover over N25m (£22.8m) and, operating in ten or more states, should remain in Schedule 2.[448] This concession was so obviously pitched at UAC that it became widely known as 'the UAC article'.

The next major issue the London board faced was achieving an acceptable share price, especially after it was known that the CIC would be involved once more. Of course, a complicating factor for UAC was that revenue and profits were up on previous years. Therefore, the fears harboured by the board were quickly realised when, on 18 March 1977, the CIC proposed that the offer of 15.8 million in UAC (N) equity be priced at N1.25 (£1.14) a share. In-house UAC calculations found that that the CIC price was around half of true value. The matter was again referred up to Unilever's Special Committee and after some deliberation the response was that 'the price of N1.25 per share [was] outrageous but agreed that it had to be accepted, while expressing all proper unhappiness.' The committee further advised that 'once

[447] Biersteker, *Control of the Nigerian Economy,* p. 285.
[448] Federation of Nigeria, Hansard, NEPD Legislation Act of 1972.

Unilever was a minority holder [in UAC (N) and GBO], relations with the management [in Nigeria] would have to be changed considerably'.[449] This time round, the share offer was one and a half times oversubscribed. In the aftermath, a Nigerian national was installed as the first indigenous chairman of UAC (N) to head a board of twelve directors that contained a further six Nigerians. Just as Unilever's Special Committee had predicted, relations between London and Lagos soured thereafter. On one occasion, the London chairman drafted a letter on pension liabilities and the adverse financial strain that rising contributions were having on private employers. He instructed the UAC (N) chairman, Abebe, to pass it personally to the Nigerian government. Abebe refused, informing London that 'he did not think that the government would regard this written communication in a friendly way'.[450] Abebe's judgement of the situation may well have been sound, but London was unhappy with this in-house rebuttal, and, although a minor act of defiance, it heralded a reset in relations between London and Lagos. The episode further highlighted that absolute control of business in Nigeria no longer lay with UAC (I) in London.

Clearly the Nigerian NEPD II legislation was a blunt, though, effective legislative tool to secure a stake in the local assets of resident foreign companies and thereby rebalance private sector wealth in favour of the nation. The government therefore claimed that both share issues were necessary steps for achieving economic independence from Britain and a way to claim back what was held to be Nigerian assets. The question is: who gained most from the legislation? Back in June 1971, the advertised objectives of the legislation were thus:

- To create opportunities for Nigerian indigenous businessman.
- To maximise local retention of profits.
- To raise the level of intermediate capital and goods production.[451]

The answer to the question posed above lies in the first objective, as a large number of leading politicians were wealthy businessmen in their own right.[452] It was

[449] UAC 1/1/4/5/4, Special Committee/UAC minute 12, dated 24 March 1977.
[450] UAC 1/1/3/4/7, Board Minute 7573 dated 4 November 1978.
[451] V I Bello, 'The intentions, implementation processes and problems of the Nigerian Enterprises Promotion Decree (No.4) 1972', *Nigeria's Indigenization Policy,* p. 7. Bello was secretary to the Nigerian Enterprises Promotion Board, Lagos.

therefore that group of individuals who had much to gain by removing foreign participation in particular business sectors. Those areas, thereafter, became exclusively Nigerian, regardless of the wider cost to the economy. One can argue here that it was therefore these businessmen and associated politicians who should shoulder the blame for the subsequent difficulties all business faced in Nigeria. With regard to UAC's handling of the NEPD II programme: it was evident from an early stage that the London directors did not manage the public relations side at all well, and, despite eventual compliance with legislation, the company emerged with a somewhat tarnished image. It is, of course, difficult to think what London could have done differently, and these events demonstrated just how difficult it was (and can be today) to manage commercial operations overseas. This does not, however, absolve the UAC board for the slow response to NEPD I given that the company received a copy of the bill well in advance of publication. If the company's offer had been made sooner, it is entirely plausible that many of the sticking points, including those surrounding the share price, could have been avoided. A further point worth making is that the second share issue in UAC (N) and GBO was by means of diluting existing share capital. The provision of a further 20 per cent of shares was certainly not achieved through additional investment in Nigeria. It is a damning indictment of the custodians of the Nigerian economy that no foreign enterprise, outside of those in the oil industry, was willing to invest in the nation's private sector. It is a position that has changed little over the years and remains a major challenge to the Nigerian government today.

There is little doubt that UAC, by virtue of size and imperialist legacy, was firmly in the sights of those who desired a bigger share of business in Nigeria. The company appeared regularly in the Nigerian press, often in an unfavourable light and was frequently accused of reaping vast profits from the nation and exporting them to London.[453] Of course, the motives for those newspaper articles were questionable. The point here is that regardless of any positive contribution that UAC made in Nigeria, the imperialist past tended to overshadow everything. As the historian

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[452] Richard Sklar, *Nigerian Political Parties,* pp. 480-494. The author estimates that over a quarter of political party representatives were wealthy businessmen.
[453] UAC 1/1/3/5/11, there are several Newspaper cuttings in the archives that feature UAC and a number report that overseas firms were attempting to avoid compliance with the NEPD legislation.

Ferguson once sweepingly wrote: 'the difficulty with the achievements of empire is that they are much more likely to be taken for granted than the sins of empire'.[454] In this regard, UAC funded advances in education, professional training, employment and trade were largely forgotten in the bid to remove the last remnants of British rule.

At the release of the NEPD legislation, large scale business redeployment out of Nigeria should have been high priority in London, however trade was generating the record profits, shown in Table 3.4 above. A large percentage of those profits, though, was due to business rationalisation and efficiency savings arising from the legislation (not forgetting proceeds from equity sales). There was an optimum time, financially speaking, to embark on a programme of business redeployment out of Nigeria, and yet it appears that management delayed. London was, by now, well aware of the dangers posed to future trade, and therefore one must surmise that the board did not or could not act decisively. Perhaps UAC was simply too big and unwieldy to change business course that easily. The slow pace of change at head office alongside ever greater dependency on Nigeria for revenue eventually sealed the fate of UAC, however. In spite of (or because of) that Nigerian equity stake, trade and revenue slowly deteriorated in tandem with the nation's economy, and it is here that the story must now turn to when and how 'Nigeria went bad'.[455]

Business Diversification and Redeployment Failure

When Nigeria began to move from an open to closed economy, it dealt a real blow to all sectors, other than oil, as revealed in the FDI figures in Table 5.6.

[454] Ferguson, *How Britain made the Modern World,* p. xxi.
[455] This was a phrase used often by both Griffin and Thomas at the various interviews for this thesis.

Table 5.6: Foreign Direct Investment to Nigeria 1967-75 (Naira million)[456]

Year	Nonoil Sector	Oil Sector
1967	91	NA
1968	142.8	NA
1969	120	NA
1970	144.6	NA
1971	148.8	14
1972	132	195.8
1973	128	115.5
1974	95.5	186.2

What the table shows is that it was not the civil war, but instead the release of NEPD I in 1971 that derailed the flow of foreign investment into the 'non-oil sector'. By 1974 the level of FDI going into other sectors was back down to the same as 1967. As William Lever had astutely remarked many years before '[economic development] can only be done with capital, but capital will not flow without security. There is no rabbit so timid as your capitalist'.[457] The Nigerian economy turned in on itself, cut back on imports and relied on oil for revenue. In 1969, oil exports accounted for just 3 per cent of GDP while agriculture contributed over 50 per cent.[458] Once Nigeria joined OPEC in 1971, oil took centre stage such that recent figures reveal the economy is tethered to that industry which provides over 90 per cent of export earnings.[459] This reliance on one sector has been compounded by capital flight from the country and an accompanying brain drain. The Nigerian historian Iyoha estimated that in 1977 around $2.5 billion disappeared out of the economy followed by $2.7 billion and $2.1 billion in the years 1980 and 1981 respectively.[460] Those

[456] Central Bank of Nigeria, *Economic and Financial Review,* various years, and *Annual Report and Statement of Accounts: 1967-74*. Papers viewed in Nigerian Embassy, London, 6 July 2013.
[457] Quote by Lord Leverhulme in Meredith, 'Decline of the Nigerian oil-palm industry', p. 318.
[458] Gary Moser, Scott Rogers and Reinold van Til, *Nigeria: Experience with Structural Adjustment,* (Washington: IMF, 1997), p. 3.
[459] United Nations, Trade Statistics, see <http://unstats.un.org/unsd/trade/imts/annual%20totals.htm> (accessed, 25 August 2015). These statistics are for 2015.
[460] Iyoha, 'Economic Growth in African Countries', p. 168.

factors taken together have dealt a heavy blow to other areas of the economy, including agriculture. Thomas offered his view at interview:

> I think the *Economist* had an article a year or so back [2013?] which was surveying various countries. It came to the conclusion that particularly for underdeveloped countries, finding oil was a disaster and I think that was right because oil is too easy as a milch cow. It leads to corruption and I think that's a very good point because it's central to the whole of the discussion.[461]

For Nigeria, a nation blessed with natural resources, the discovery of oil in the southern delta has completely unbalanced the economy.

A further disincentive to investing in agriculture has been that those oil reserves are located in the main oil palm and cocoa growing regions in the south and east of the country. The development of an oil industry there has inflated local labour costs and food prices which has starved agriculture of investment. The penalties have fallen disproportionally on a disenfranchised and rural populace who, with few employment opportunities outside of the oil industry, have joined the teeming millions that crowd Nigerian cities today. Rampant inequality among the people and between economic sectors has seen the economy lurch into classic 'Dutch Disease' territory.[462] The recent tumbling of global oil prices in 2015 merely accentuated the economic difficulties the nation faces.[463]

To add insult to injury, in the aftermath of the NEPD II legislation it emerged that despite the 5% ceiling on individual equity holdings, yet again, a privileged few Nigerians had amassed vast numbers of shares. In 1977, the Nigerian *Business Times* reported that 'Nigerians bought their shares and sat back to wait for the expatriate managers to make the profit for them'.[464] In effect, the Nigerian nationalist programme, guided by a dominant and aggressive political and economic agenda, has benefited just two groups of people: the local businessmen and the politicians. Of course, many politicians are also local businessmen. The losers were foreign

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[461] Interview with Tony Thomas, 6 July 2014.
[462] Dutch Disease is a term used by economists to denote a nation's over-reliance on, usually, one natural resource or industry (usually oil) while neglecting other sectors. See W Max Corden and J Peter Neary, 'Booming Sector and De-Industrialisation in a Small Open Economy', *Economic Journal,* 92 (1982), pp. 825-848.
[463] The price of Brent Crude Oil fell to under $50 a barrel, a six year low. British Broadcasting Corporation, see <http://www.bbc.co.uk/news/business-30775577>, (accessed, 25 August 2015).
[464] *Business Times*, (Lagos), 10 August 1976, p. 3.

companies, but also those the NEPD programme was meant to benefit, the Nigerian people.

For UAC, the Annual General Meetings for associate companies in Nigeria became awkward events, particularly if dividends did not reach the expectations of local shareholders. Griffin recalled one particular AGM for Guinness (Nigeria), then in partnership with UAC:

> It was the company's practice to give each registered shareholder a carton containing 24 bottles of Guinness. It was an expensive exercise so this year it was decided to give everyone a calendar instead. The shareholders revolted and made a huge bonfire of the calendars outside the venue and then invaded the AGM. We never gave calendars again.[465]

Incidences like this became more commonplace and underscored some of the ramifications that British companies now faced after going down the local registration path and making shares available to Nigerians. It was a stark contrast to conditions on the ground for those overseas firms elsewhere that had managed to stay under London control and wedded to the LSE. Towards the end of the 1970s, the Nigerian economy went into tailspin and recalling a much-repeated phrase in interviews conducted for the research for this thesis: 'Nigeria went bad!'[466]

In 1978, the Nigerian economy slipped deep into recession as the government struggled with a balance of payments crisis. Meanwhile, for UAC, the repatriation of dividends from Nigeria became a drawn out and bureaucratic affair. Griffin commented on the difficulties the UAC board encountered in that respect:

> It was one of the big difficulties we had with dividends, you declare a dividend payable on such a date and the Nigerians were paid on that date. The expatriate [dividend] goes to the bank and exchange control, and we say, we want to transfer our dividends, two years later we get permission to transfer.[467]

Again the point on the consequences of local registration comes to mind here and raises the question once more: was Pedler far too hasty in his charge to locally register assets? The drive to give UAC more of an African appearance in the 1950s,

[465] Interview with David Griffin, 6 December 2012.
[466] Interview with David Griffin and Tony Thomas, 6 December 2012.
[467] Interview with David Griffin, 6 December 2012.

in the end, did not really have the desired effect, and it was now one that had come back to haunt the company. Moreover, the delay encountered in repatriating funds from Nigeria lengthened as additional restrictions were put in place including the amount of capital that could be remitted. Furthermore, the Central Bank of Nigeria, the authority responsible for dividend transfers, was not held in high regard by British business and rumours of ‘skulduggery’ frequently circulated.[468] Thomas had this to say on the repatriation of finances from Nigeria:

> It [the local share issue episode] was a double whammy. You lost part of the profitability due to the derisory price at which we were allowed to sell the shares. Secondly you were left queuing for dividends which by the time you were allowed to remit them, let alone [lost] interest, were in a depreciated currency, [and had therefore lost significant value].[469]

Of course when funds did eventually get to London, Unilever could not countenance any form of reinvestment in the Nigerian economy thereafter, a point confirmed by Griffin:

> Once we got permission to remit the dividends to the UK or wherever, we were forced [by Unilever] not to then reinvest it back into Africa. A lot of it went to Brazil and Malaysia which were much more tolerant economic areas.[470]

This position indicated how far Unilever’s opinion of the Nigerian trade had fallen in such a short timescale. It also revealed that Malaysia was obviously thought to be a much safer host for British business and investment. There was, however, very little the directors of either Unilever or UAC could do to influence financial matters in distant Nigeria and that accentuated the need for the redeployment of business.

On the trading side, increased responsibility and autonomy for UAC (N) saw the Nigerian majority board shop around rather than buy directly from UAC (I) in London. The long-established Unilever ethos of affording subsidiaries a large degree of autonomy can be faulted here. The board should have put in place contracts to ensure that UAC (N) and GBO continued to conduct trade through London. In 1978, the Nigerian economy tumbled further, and with roughly 60 per cent of UAC (I) turnover still coming from business operations in that nation,

[468] Interview with Tony Thomas, 6 July 2014.
[469] Interview with Tony Thomas, 6 July 2014.
[470] Interview with David Griffin, 6 December 2012.

revenues went into steep decline.[471] That said, on the surface, company returns for the next few years looked spectacular as Table 5.7 shows:

Table 5.7: UAC (I) Annual Accounts 30 Sep 1979 – 30 Sep 1984[472]

Year Ending	Net Profit £m	Unilever Dividend £m	Reserves £m
30 Sep 1979	5.679	17.5	6.6
30 Sep 1980	36.588	25	18
30 Sep 1981	61.984	25	61
30 Sep 1982	41.52	25	77.5
30 Sep 1983	20.87	25	73.4

Although not immediately obvious from the figures, however, underlying business and profits in Nigerian trade were dropping off alarmingly. The weaknesses in the Nigerian economy saw UAC (I) profits plummet for the trading year 1978/79 to around a quarter of the previous year. They rebounded somewhat in the next year as accumulated dividends from Nigerian shareholdings and other withheld payments temporarily flowed to London, no doubt as a result of the return to democratically elected government in Nigeria. Profits rose dramatically in the next year, however this was down to two separate, though connected, factors. First, the enforced sale of business assets in Nigeria substantially boosted profits and reserves in the short term, and, second, the dividends withheld since 1979 were finally released. That allowed the London board to make a substantial 25 per cent dividend payment to Unilever for each of the next four years. One wonders, though, if the accountants in the parent company had stepped in to ensure that any surplus capital held by UAC (I) did not find its way back to Nigeria. Perhaps the parent company was starting to pull the financial rug away from beneath the subsidiary. The figures in the table above therefore provide an artificially healthy snapshot of a business that was in steep decline, and, in 1983, profits dropped off again quite alarmingly after the return of military rule to Nigeria.

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[471] UAC 1/2/2/2/1/3, UAC Directorate: UAC Contribution to Unilever Annual Report, 1978-80. This is a rough estimate of Nigerian returns at this time extracted from figures provided in UAC accounts.
[472] UAC 1/1/1/6, UAC Board Corporate Records: Director's Report and Accounts 1979-83.

A crucial point to return to here is that the various European offices of UAC housed large numbers of employees, many of whom were at management grade. As late as 1982 the company was still employing a staff of 1,200 in British offices alone.[473] With dwindling revenues coming out of Nigeria, the whole European setup was becoming unsustainable. What is more, concerns voiced in Unilever regarding the future viability of the UAC business model were growing louder, a point acknowledged at a Directors' Conference in late 1980 when the UAC (I) chairman conceded that:

> The fact that we no longer had management control here [in Nigeria] but could only operate in an advisory capacity was beginning to be a considerable problem in that it was very difficult to get expenses under control.[474]

To put thing rather simply, after NEPD II, UAC (I) had become just a major shareholder in two Nigerian registered companies, UAC (N) and GBO. It was a fragile foundation on which to base such a large business organisation, and when revenues fell again in 1983, the writing was on the wall.

UAC Diversification and Redeployment Effort: A Brief History

During this challenging era, Thomas was working in the corporate planning department of UAC (I) in London and was involved in the search for alternative business outside of Africa. However, as he later explained in interview, the world was a much changed place compared to the heady days of operating within the British Empire:

> I did some superficial studies on other trading companies when it came to deciding what we could do outside Africa. I came to the conclusion that the other trading companies were being subjected to the same pressures that had forced UAC into diminishing opportunities etc. The days of the old fashioned trading companies had gone.

Again, the statement underscores the point made earlier that the actions of previous UAC directors had contrived to place all of the company's apples in one basket. The board did not seek to diversify early enough at a time when trade was flourishing under British rule; nor did it consider the redeployment of assets outside of Nigeria to spread business risk until much too late. This again harks back to the early decision

[473] UAC 1/1/7/4/2, Directors' Conference Minutes, paper on UAC staff numbers dated 1 May 1984.
[474] UAC 1/1/6/3/1, UAC General Review, Unilever Directors' Conference, Minute 390, 20 November 1980.

to exit the commodity trade and surrender custodianship of Unilever's estate holdings in West Africa. The actions of the company board at that time effectively closed down a potential future trading option. By the late 1970s, it was clear to those in London that only comprehensive redeployment of business out of Nigeria could save UAC (I). However, to achieve that would require a substantial capital outlay, primarily to purchase suitably sized and established companies. A pressing question was whether Unilever's Special Committee would now sanction such a move, especially given the parent company's avowed cautious approach to all new business. The conundrum for London was: what could fill the void that an exit from Nigeria would leave behind? Another supplementary, though relevant, question we can pose here is: given that the company had been attempting to diversify and redeploy for many years, what went wrong? With these questions at the forefront of the analysis, the chapter now turns to UAC 'out of Nigeria' and the effort of management to find alternative business to 'the Coast' trade.

UAC Out of 'the Coast' Trade

Back in 1964, Unilever had commissioned an internal report on overseas business which was obviously aimed at UAC trade in West Africa. One of the findings of the paper was that the subsidiary was excessively reliant on Nigerian markets for revenue and recommended that management actively pursue alternative commercial opportunities elsewhere.[475] One precondition was that any new business should be transferable and replicable in other parts of the world. The timing of this report tends to indicate that Unilever was now, contrary to its advertised ethos on managing subsidiaries, prepared to make a special case of UAC. No doubt one of the more pressing reasons for this was the subsidiary's frequent and significant financial worth to the parent company. UAC's first effort to diversify had actually predated the report, and, although a minor venture, it reflected much of what took place over the next decade. Therefore, in July 1963, UAC took over a small wood veneer firm, Irish National Veneer Industries Ltd, located in Donegal, Eire. This line of business was thought, at the time, to offer downstream opportunities that would complement the UAC (Timber) Ltd logging concessions held in West Africa. However, from the start the UAC board adopted a 'hands off' approach to the business and installed a single

[475] UAC 1/1/2/4/5, Report from Chairman's Committee Meeting, 21 July 1964.

manager to oversee operations. This managerial style, of course, echoed that much cited Unilever/UAC relationship and ignored warnings in internal reports regarding sufficient oversight. In any case, the Donegal venture made very little progress in the 1960s, not least owing to minimal input from above, and, with losses mounting, the company was finally put up for sale in 1971. Unfortunately, no buyer could be found, and therefore the UAC board was forced to write off an original investment of £80,000 in share capital and a further £50,000 investment.[476] It was hardly a huge sum of money to a company as big as UAC, however the Irish venture was an early indication of shortfalls in managerial oversight. It also revealed that the UAC leadership was not yet sold on the need to find alternative business outside of West Africa.

The next venture of note was launched in July 1964 with a purchase of 42 per cent of the equity in Texoprint, a holding company that had been formed to merge three established Dutch textile firms.[477] The business involved the manufacture of wax prints, an adjunct to existing UAC trade in West African textiles.[478] The UAC board was therefore persuaded to buy a majority stake believing the trade was transferable and also had the potential for global expansion. However, yet again, just like the Donegal venture before it, the company did not put in place rigorous management oversight or take up board representation, despite being the biggest shareholder in Texoprint. UAC instead restricted participation to the distribution and sales side of the business. As a consequence, pre-existing management structures were never streamlined. Furthermore, one UAC paper appeared to blame the ruling coalition government (which included the Labour Party) for sensitivity to foreign ownership in national companies at that time.[479] However, in truth, it is more likely the case that distant and limited management of Texoprint was inadequate to develop the business and, as a result, the early promise of expansion never

[476] UAC 2/13/H, UAC Timber Division: Irish National Veneer Industries Ltd, various papers 1959-72.
[477] UAC 1/9/3/9/2/24, UAC Corporate Planning Department: Textiles Division, Texoprint 1962-71, various papers relating to the company.
[478] Interview with David Griffin, 6 December 2012. Here Griffin spoke of trade in printed textiles and fabrics and the proficiency of Nigerian buyers who were always quick to recognise and reject cheaper machine printed Japanese products from the superior hand printed western materials.
[479] UAC 1/9/3/9/2/24, UAC Corporate Planning Department: Textiles Division. A paper dated November 1967 talks of a Dutch government and a Labour Party coalition member voicing objections to foreign ownership and the part that played in complicating merger plans.

materialised. The company struggled on with very little investment until 1967 when UAC's involvement in Texoprint was ended by Unilever. In the aftermath, the shares in Texoprint were sold by the parent company in 1971.

Another failed and, in this instance, nonsensical venture predated each of the above in early 1963 when UAC was handed the Unibeam business by the Special Committee.[480] It is not immediately apparent why UAC was believed suitable to manage this venture, however one could hazard a guess that Unilever was attempting to guide the subsidiary into safer waters by diversifying the business. The Unibeam project was to develop and bring to market office copying machines using a recently purchased patent, Imagic. The alarm bells should have been ringing early on in UAC House as this prized patent had already been turned down by the acknowledged experts in the field IBM and Rank Xerox. The question is why did Unilever, with no experience in office supplies, believe the project worthy of pursuing in the first place and put pressure on UAC to invest? Company correspondence with the patent holder, Abram Games, indicated that management in the parent company's Organisation Division was sold on the idea that a copying machine built in-house could save the company money. Thereafter the machines would be released and sold on the market.[481]

However, it quickly came to light that the valuable patent was, in fact, some way off being a finished product and would require substantial investment up front merely to develop a prototype. Despite this, and at the behest of Unilever, the UAC board allocated the funds. That alone was out of character for a Unilever leadership that prided itself in a measured approach to business. In this case, though, Unibeam was an error in judgement on the part of the parent company. Almost inevitably the machine was found to be deficient and, when the patent was put up for sale, no buyer could be found. UAC was forced to write down the loss, estimated to be in the region of £500,000. In fairness to the UAC board, the blame for this debacle lay firmly at the door of Unilever.[482] The UAC core business, after all, was in marketing

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[480]UAC 1/1/2/1/11/8, UAC Directorate: Unibeam Division Report at Committee Meeting, 21 July 1964.
[481] UAC 1/1/2/1/11/8, UAC Directorate: Unibeam Division, Correspondence and Reports of N Solomon including various papers and letters between Mr A Games and Unilever.
[482] UAC 1/1/2/1/3/12, UAC Directorate: Unibeam Division Report, Chairman Committee Meeting, 21 July 1964.

and trade overseas. The company simply did not possess the technological capability or manpower to develop what was essentially a forerunner to today's office photocopiers. The Unibeam venture again exposed a lack of managerial harmony between parent company and subsidiary and was another in the long and growing list of glaring and inexplicable blunders in the overall UAC business diversification effort.

One further and notable early business redeployment failure came in the form of a brewing venture in Burgos, Northern Spain, in partnership with Heineken. In this business, UAC did have the requisite experience gained through agency tie-ups with Heineken and Guinness in West Africa. Therefore, a persuasive case that those skills were transferable to the European market existed, and, based on that, the company of Compania Hispano Holandesa de Cervezas was launched in 1964 with a start-up capital of £500,000. From the outset, though, the new company encountered fierce local competition, which was compounded by a number of technical hitches in the day-to-day running of the plant. These included deficient water supplies, low availability of local labour and existing exclusive contracts held by regional wholesalers with other breweries. By July 1968, after further injections of capital, the brewery was still running at a loss, largely because the plant was only operating at 30 per cent capacity. Finally, in early 1971, Unilever's Special Committee intervened and put the plant up for sale rather than invest further in a business perceived to be failing. Later that same year, the brewery's fixtures and fittings were bought up relatively cheaply by San Miguel for around £1.8 million. The new owners injected more capital and eventually turned the business around.[483]

The Spanish brewery debacle delivered a serious blow to the UAC board's credibility and provided clear evidence that, despite the availability of capital, it was going to be extremely difficult to break into mature European markets. In addition, it appeared that UAC's early redeployment effort was undertaken in a somewhat half-hearted manner and always suffered from insufficient managerial oversight. For that reason alone, it is no surprise that these early ventures failed. Other diversification efforts of note included an electrical goods business and a proposed expansion of

[483]UAC 2/1/H/1/1/3/104, Compania Hispano Holandesa de Cervezas: Correspondence on sale to San Miguel.

Kingsway supermarkets into Britain. Both foundered and eventually came to nothing despite significant investment. In reality, the focus of UAC management was always Nigeria and West Africa, where, of course, the company had an enviable dominant presence. The European markets posed very different challenges and presented something the company rarely encountered now in Nigeria, competition. UAC did not have the conviction at managerial level, the manpower or indeed the technical expertise to make a decisive entry into a new business that demanded different skill-sets to those employed in Nigeria. Nor, it seems, could the company simply buy a seat at the table, as the failed Dutch Texoprint venture and others proved. Despite these obvious failures, though, there were some rare successes.

The UAC board had, by the late 1960s, learned hard lessons from previous ventures when attention was drawn to a potential Caterpillar franchise in Britain to complement those already held on the African continent. One of two agencies that handled sales for Caterpillar in England was Levertons of Spalding, a privately owned company that was keen to list on the LSE. The sticking point was that Caterpillar would not allow a publicly listed firm to hold a franchise as it would place the board answerable to another's shareholders. The subsidiary status of UAC appeared to soothe those concerns, although technically Caterpillar could then have been answerable to Unilever shareholders. Perhaps this was a less risky option, and therefore, in 1970, the Special Committee approved the purchase of Levertons at what was believed to be the inflated price of £8 million.[484] In 1973, the company was renamed Westlode Engineering Ltd and, with that, UAC had at last secured a major business outside of West Africa. Thomas talked about the subsequent success of Caterpillar sales in England, however he also explained why further expansion in the trade was not possible:

> We would have liked to pick up Caterpillar dealerships elsewhere but Caterpillar did not want any of their dealers to become too big and turned down other requests [by UAC].[485]

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[484] UAC 2/17/G, Levertons of Spalding and Westlode Engineering: various papers relating to H Leverton and Co. and accompanying Caterpillar sales documentation, 1963-88.

[485] Further points raised in a letter by Tony Thomas when reviewing draft thesis, 10 July 2015.

The success of the Caterpillar franchise in the UK clearly persuaded the UAC board that if comprehensive redeployment out of Africa was going to be possible, then it must think big, particularly in the European markets. Therefore, soon after the company's success with Caterpillar, the board took, what turned out to be, a fateful gamble to buy a much larger business in Britain. It was around this time that Unilever's Buildings Materials Division (Unacil) was scouring Britain for an established business of sufficient size to supply building materials to West Africa. This offered a chance for UAC to become involved in a new business line that had the potential both to expand trade in Nigeria and to open up further redeployment opportunities elsewhere.

In early 1974, approval came down from the parent company for UAC to make an offer for Kennedys, a publicly listed building merchant with an annual turnover of £6 million. This well-established company had a workforce of around one thousand spread across several builders' yards and gardening centres in England and Wales; therefore, the company did not come cheap. An offer of over £11 million was finally accepted for the entire share capital of Kennedys, one of the most expensive acquisitions by any part of the Unilever group at that time. It was therefore inexcusable, given what had gone before, that the existing Kennedys management structure was never fully assimilated into that of UAC. Instead the business remained under the stewardship of family member and executive chairman, J G Kennedy. To compound matters, the timing of the acquisition could not have come at a worse time as the UK economy weakened and house building stalled. At the same time, a downturn in the Nigerian economy heralded stricter criteria and cutbacks on imports. As a direct result, the expected trade in building supplies for both West Africa and Britain never got anywhere near initial forecasts. In 1975, the UAC board was informed that Kennedys was losing around £50,000 a month. Although the building trade did rebound somewhat in the next few years, the onset of a deep recession in 1979 Britain hit the company hard, and the UAC board was forced to ask the Special Committee to sanction the sale of the business. Finally, in 1985, Kennedys was sold to Travis and Arnold.[486] For a number of reasons,

[486] UAC 1/9/3/2/2/2, UAC Corporate Planning Department: Builders' Merchants Working Papers. Minutes of UAC Board Committee relating to Kennedys and Unacil: 1971-85.

Kennedys proved a serious miscalculation on the part of the UAC board and cost the company very dearly. Of course, many of the factors that led to the business failing were outside the board's powers, however the stubborn adherence to that principle of managerial autonomy in subsidiaries was an inexcusable mistake given what had gone before. As the biggest single business purchase by the subsidiary, the Kennedys venture was a disaster and perhaps, more than anything that had happened before it, bringing forcefully to London's attention that UAC was not equipped or, it seemed, prepared to survive outside of Nigeria and West Africa.

In the early 1970s, an internal review by the Corporate Planning Department at Unilever found that less than 10 per cent of UAC capital was employed in the UK, the rest of Europe and the United States combined. A follow-up review conducted in 1981 revealed that position had changed very little. Company accounts exposed that, out of total consolidated revenue of £53m, business conducted in UK and France generated just £4m.[487] Clearly the effort to redeploy business away from Nigeria had failed. The 1981 report went on to state categorically that new business could only now succeed if the company was already in possession of the requisite and transferable skills. This obviously differed from the earlier 1964 Unilever paper that had openly encouraged the UAC board to explore business opportunities outside of core competences.[488] One can conclude therefore that the unsuccessful ventures mentioned above had gradually altered the views of Unilever management. Although the UAC board had a free rein to prosecute trade in West Africa, the same was not true in Europe, the business domain of Unilever. It was in Europe, though, that UAC needed to make progress and find new business that would ultimately replace the existing setup in Nigeria. However, again there appeared to be little in the way of synergy between parent company and subsidiary at management level with the result that UAC's inexperience and, at times, ineptitude in the European market was exposed time and again. When questioned about all of the business acquisitions made by UAC under the diversification and redeployment banner,

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[487] UAC 1/1/2/2/2/4, Unilever Corporate Planning Department paper, 'UAC Capital and Trading Status', 23 October 1973, p. 17. UAC 1/1/2/2/2/11, UAC Board Secretariat: Corporate Planning in an International Environment; notes on talk given by F A Thomas, 1980. Also see internal memorandum, X A Bower to D A Toothill, 24 Jan 1983.

[488] UAC 1/3/3/4/1, UAC Chairman: Finance Department, Report at Chairman Committee Meeting, 21 July 1964.

Thomas thought just three European ventures were successful; Levertons (Caterpillar franchise), Ford & Slater (Commercial Vehicles) and Cabus & Raulot (Electrical Supplies in France). It was not a great strike record, particularly for a company with so many resources, financial and material, at its disposal.

There were a few other speculative business forays by UAC which varied in size and scope, however by the early 1980s it was obvious to all that a comprehensive move away from West Africa and, most certainly Nigeria, was not going to happen without considerable financial pain. The underlying issue for management was that in a healthy and performing Nigerian economy, UAC trade flourished and the immediate need for business redeployment receded. However, when the Nigerian economy suffered, the fiscal health of the company came under intense pressure. Despite frequent, if temporary, downturns in 'the Coast' trade, however, it would seem that UAC directors were always convinced that good times were just around the corner. But it was not to be the case this time around when in 1981 the Nigerian economy suffered a major blow and contracted by almost 16 per cent. Government was forced to peg the Naira to the US Dollar, which caused a *de facto* devaluation of the currency.[489] Moreover, an ongoing balance of payments crisis was further exposed by a global oil glut that reduced export revenue alarmingly.[490] The resulting economic crisis in Nigeria generated serious ramifications for all UAC commercial interests.

It was admittedly difficult for a firm of the sheer size of UAC and with a trading setup so geographically fixed on the Nigerian market to contemplate large-scale business diversification or redeployment of assets at any one time. Moreover, at the start of the 1980s, the depressed economic climate that hung over the UK and Europe was not conducive to pursuing that strategy. Again, this supports the contention made frequently in this thesis that such endeavours should have been started much earlier. In many ways, the existing and vast UAC setup on 'the Coast'

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[489] Iyoha, 'Economic Growth in African Countries', p. 171

[490] See Eghosa E Osaghae, *Nigeria since Independence: Crippled Giant,* (London: Hurst & Company, 1998), for a detailed account of the Nigerian economy in the years 1983-5, pp. 163-87. Between November 1985 and March 1986 crude oil plunged by 67%, see *Wall Street Journal* online article, <http://www.wsj.com/articles/back-to-the-future-oil-replays-1980s-bust-1421196361>, (accessed, 2 May 2016).

was not transferrable to other parts of the world, especially at the end of British rule, and most certainly it did not fit well with the European market. Thomas again offered his thoughts on this subject:

> Outside Africa, we did not have the local know-how and experience to be able to compete successfully. Crucially, we could never become the kind of international marketer of branded products that would fit Unilever's overall strategy.[491]

Does this statement also point to a prevailing philosophy held within the corridors of UAC House, i.e. that company efforts should be directed exclusively at 'the Coast' trade? The point Thomas made about Unilever's *modus operandi* is equally salient. From a parent company perspective, UAC was always looked on as an outlier, a unique though financially significant branch of the company. Furthermore, Unilever had very little insight into the markets in which UAC operated. Certainly, the business portfolio of UAC in Nigeria was wide and varied. Indeed, in 1980, there were still 17 separate and distinct divisions, as Table 5.8 shows.

Table 5.8: UAC (I) Nigerian Divisions - 1980[492]

Breweries	Medical	Timber
Building Materials	Mining	Trading
Consumer Products	Motors	Traffic
Engineering	Office Supplies	UNATRAC (Caterpillar)
Food & Agriculture	Palm Line Ltd	Warehousing/Transport
Hardware	Textiles	

Those divisions consisted of over 70 associated companies that were shared among the two holding companies, GBO and UAC (N), in Nigeria alone. With so many distinct management chains, each competing for finite capital set aside for business redeployment, the strategy was almost bound to fail. In the end, there was little that Unilever management could do for the subsidiary other than sanction further a capital spend, but this had been tried many times before. Moreover, the aforementioned dismal global economic outlook at the start of the 1980s militated

[491] Interview with Tony Thomas, 6 July 2014.
[492] UAC 1/2/2/2/8, UAC Directorate: Operating Divisions, undated paper on UAC's Nigerian Divisions in 1980.

against large investments in new business, particularly in Europe. Another, more radical course of action at this stage would have been to take over direct control of UAC with a view to breaking up the company. However, the ball, as it had been since 1929, remained in the subsidiary board's court for the present time. Again, Thomas commented on the methods that Unilever employed in managing the wider business:

> If you look at Unilever over the years it has been pretty good and pretty ruthless in defining its strategy and then acting on it. So it has disposed of a number of businesses even if they were still profitable because they were not going to fit within long-term objectives.[493]

Despite what Thomas said here, higher management in fact initially held back from radical intervention in UAC. However, the message from the Special Committee was clear: if the board of UAC could not find alternative and significant revenue streams, the parent company would be forced to step in. Why it took so long for the corporate axe to then fall on UAC is not clear, although one could hazard a guess that a sense of loyalty and perhaps sentimentality for the subsidiary still existed in Unilever's highest offices. The delayed intervention, though, is all the more remarkable taking into account the history of trade redeployment failures that the UAC board had overseen.

The most damning indictment on UAC redeployment effort was in the way those ventures were first selected and thereafter managed. Apart from a very few cases, there was rarely any business compatibility with established UAC capabilities, particularly for those ventures that required an element of manufacturing. This was compounded by a lack of oversight and direction from a UAC board that strived yet failed to emulate Unilever success in handling subsidiaries (UAC aside). In the early 1980s, the prognosis for most of the business, particularly that in Nigeria, was more or less terminal. However, even then, there was an air of invincibility among management within UAC House led by the conviction that the company was simply too big to fail. This was a point that Thomas alluded to when he said this:

> In the view of individual employees of UAC well I don't think you even think about it, whether your company was going to fail. They got worried with

[493] Interview with Tony Thomas, 6 July 2014.

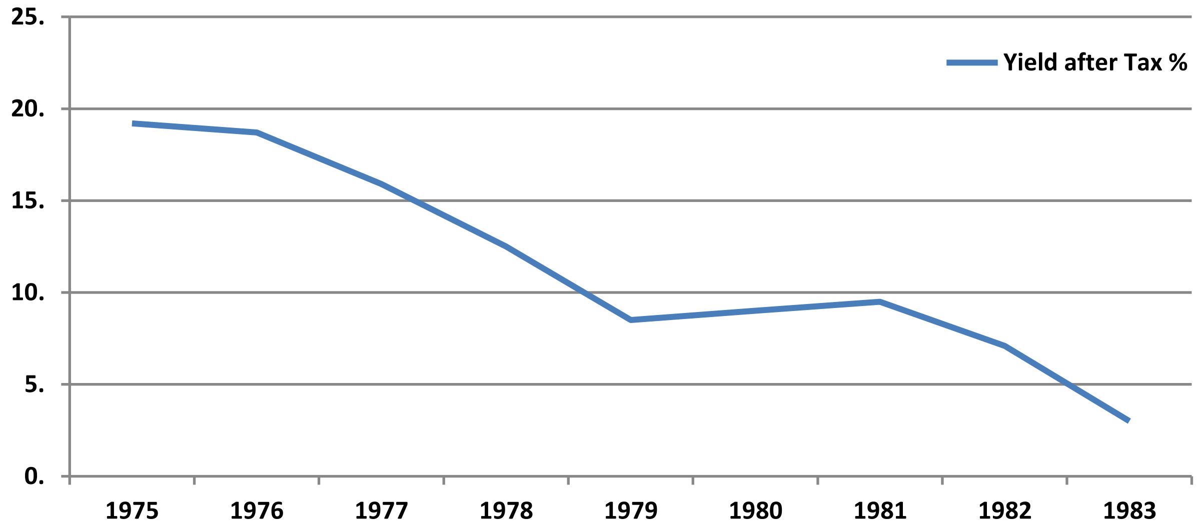
> Africanisation of management, of capital, of shareholding but they still thought as far as they were concerned the company will keep going into the future.[494]

It was a conviction that quickly evaporated, as the company's profits dropped precipitously in the early 1980s.

UAC - the Final Years

At the start of the 1980s, UAC trade had gone from boom to bust in just a decade and mirrored the Nigerian economy on which the company depended so much. To use an analogy, an economic 'sneezing fit' in Nigeria infected all UAC trade, and revenues thereafter fell away alarmingly. The company's capital yield after tax at the start of the 1980s made sobering reading, as Figure 5.2 shows.

Graph 5.1: UAC (I) % Yield on Capital Employed after Tax 1975 - 1983[495]



This graph shows that a steep decline in yield on capital ran parallel to the timeline of the Nigerian NEPD programme. When in 1978, the Nigerian Treasury reported a trade deficit of £2 billion against a total GDP figure of just £25.6 billion, the President called for an immediate cutback on imports announcing that:

> [We] must halt [an] unjustifiable taste for foreign goods of all descriptions. We are not rich. With a population of over 80 million and our present GNP, we must be one of the poorest nations in the world.[496]

[494] Interview with Tony Thomas, 6 July 2014.
[495] UAC 1/1/1/6/44-54, UAC Directors' Report and Accounts, 1975-83. Figures extracted from consolidated post-tax results as a percentage of gross capital employed.

As exports to Nigeria were cut back dramatically, turnover in the UAC associate companies was decimated. At the time, Thomas wrote a paper on the challenges that trade on 'the Coast' posed for UAC, much of which still applies to companies operating in overseas markets today. What follows paraphrases what he wrote:

1. **Making Profits** – this became progressively more difficult for UAC, partly because of a deteriorating economic environment in West Africa and because of:
    a. Increased Competition – increase in Nigerian prosperity led to more international interest and competition. Local traders who had built up capital, experience and an organisation – often through working for UAC (e.g. as produce-buying agents) – became formidable competitors.
    b. Reservation of specific trading activities for Nigerians – e.g. as in the successive indigenisation decrees.
    c. Management constraints – reduced quotas for expatriate managers and greater difficulty in obtaining work permits.
    d. Pressure for over-rapid Indigenisation of management.
    e. Import licensing – applied more severely owing to balance of payments difficulties and locals were favoured in their allocation.
    f. Intervention by Manufacturers – Those, for whom we were agents, demanded more expensive premises and marketing facilities for their products and/or subsequently wanted to run part or all of their business.
    g. Overheads – Reduced ability to share these with produce buying.
    h. Investment in more specialised activities and in local industry – Required more capital than general trading; also required more expensive specialist personnel; and business partners (with requisite industrial/ technical skills) with whom we were forced to share any profits.
    i. Government Pressure – Prohibiting or freezing buying commissions and service fees. Reduced income put pressure on covering UK Head Office costs.
2. **Keeping profits:**
    a. Isation [compulsory equity transfer to nationals] - Reduced UAC's share of equity and hence profits.
    b. Higher Local Taxes.
3. **Remitting:** Balance of payments difficulties led to exchange controls and substantive delays in remittance of proceeds of 'indigenisation', dividends, service fees, etc.[497]

[496] Nigerian National Archives, Nigerian Embassy London. Speech made by Shehu Shagari, Executive President, Nigeria, 1979-83, 16 July 2013.
[497] Interview with Tony Thomas, 6 December 2012. This includes subsequent correspondence on the subject matter of UAC trade on 'the Coast'.

The last point Thomas made about remitting funds back to London was particularly crippling for UAC. The difficulty all foreign companies faced in repatriating finances out of Nigeria became ruinous towards the end of the 1970s and was caused by the country's ongoing and deepening trade deficit. To continue operating, UAC was forced back on reserve capital as dividend repatriation from UAC (N) and GBO became a drawn out and acrimonious affair dictated by a Bank of Nigeria that was discredited in British eyes. Moreover, the point Thomas made about excessive 'Overheads' was particularly pertinent to UAC given its high staff numbers spread across offices in Europe. At times, there simply was not enough money coming out of Nigeria to support those staff numbers. The downward fiscal spiral was accelerated when the value of the Nigerian Naira plummeted again at the start of the 1980s. Taking into account all of the issues that Thomas raised above, it was only a matter of time before reserve capital was exhausted. With the outlook bleak, the chairman of UAC (I) crossed the Thames to make a presentation to the Unilever board on 1 December 1983. He did not pull his punches, stating that 'the sharp decline in our traditional markets…will undoubtedly persist into the foreseeable future'. He further revealed that the Caterpillar business had lost N16.6 million (£13.9 million) and the Motor Division N4 million (£3.8 million). The Kingsway Stores business was also in the red. Some of the divisions, including Textiles and Property, were profitable, however this was not enough to offset substantial losses incurred in other parts of the business.[498] With no alternative business on the horizon to offer salvation, Unilever stepped in.

In early 1984, the Special Committee enlisted the services of the consultancy firm McKinsey to conduct a comprehensive review of UAC business. The final report in August of that year proved painful reading and posed searching though fundamental questions about the subsidiary and trade overseas. These included, first of all, what was core business, and what parts of the existing trade could enable the company to continue operating? And secondly, what was then the firm's future strategy?[499]

[498] UAC 1/3/1/1/7, UAC (I) Review to Unilever Board, 1 December 1983.
[499] UAC 1/3/2/2/22, UAC Chairman: General Strategy for UAC. Final Report produced by McKinsey and Company Inc., August 1984.

In addressing the first question in the report: the core business was still in Nigeria, where the economy was in deep recession, and government had again reverted to military rule in 1983. UAC revenue was therefore dependent on Nigerian economic performance, but with no upturn in sight. The question about future strategy, of course, was completely reliant on finding a satisfactory solution to this state of affairs. Reduced revenues from Nigeria meant there was not enough capital to pursue alternative business strategies elsewhere. After the McKinsey report was released, a two-day conference was convened at Unilever House in February 1984 to address its findings and thereafter come up with a proposed recovery plan to guide UAC out of crisis. The follow-up meetings that took place a few months later in May and July surprisingly involved only UAC directors. Lengthy discussions produced a report entitled the 'Review of Strategic Direction', which was presented to Unilever's Special Committee.[500] The paper proposed the disposal of nine core UAC divisions to leave just five lead units. Furthermore, staff numbers in the UK and France were to be cut by around 40 per cent, although the bulk of higher management would be retained. The paper also made a more obvious verdict that the business redeployment programme had failed for a variety of reasons. Of course, this chapter has already outlined some of those reasons which were of UAC making and could well have been avoided with better management oversight. The UAC directors did, however, argue that trade in West Africa did offer promising returns in the future. The final point was perhaps more a case of self-preservation, or indeed, more probably, self-delusion. The parent company was thereafter presented with two proposals:

- Unilever without UAC (I) by integrating current assets into other divisions; or,
- Accept the rescue plan put forward by the UAC board to shrink the business to the proposed five leading units alongside deep staff cuts.

Basically, the options were: break-up UAC or retain the company in a much slimmed-down form. It was therefore astonishing, given that UAC management had been largely discredited by the McKinsey report that the Special Committee came down in favour of the latter rescue plan. Thomas did offer his own personal view on the decision (while stressing that this was conjecture on his part):

[500] UAC 1/1/6/3/6, *Review of Strategic Direction,* Report of Meeting, 23 July 1984.

> I wondered whether the decision not to wield the axe on UAC was connected with the personal friendship between the respective chairmen of UAC and its parent, Unilever.[501]

This view tends to indicate that there was still an element of sentimental loyalty held by higher management for UAC, however that would also contradict the earlier points and statements made by Thomas about Unilever's ruthless approach to those parts of the business that did not perform. Perhaps some of those Unilever directors, as Griffin indicated earlier, were in fact former UAC men. Or yet again, there being no real synergy between the two boards of directors, the Special Committee took UAC management at its word, believing that business salvation was achievable despite the critical tone of the report produced by the auditors. Events though, laid bare the serious flaws that had persisted down through the years in the decision-making process at director level and the oft repeated weaknesses in the provision of too much autonomy to subsidiaries. The final acceptance of the UAC proposal was, however, made with certain qualifications, some of which indicated that the Unilever Special Committee was not comfortable with its decision. A separate paper produced shortly after pointed to the final disposal of UAC. One extract was this: 'there are several companies that are both large enough and have some sort of similar businesses who could be interested in the purchase of all or parts of UAC (I).'[502] The overriding message here was that the commercial survival of the subsidiary would now only be considered within the context of broader Unilever strategy. Perhaps that should have been the case all along. Given the dire economic outlook in Nigeria, it is still however, quite remarkable that the company survived at all.[503]

Thomas, though, stated he always suspected that the restructuring exercise that was sanctioned by Unilever was simply a step towards the final disposal of UAC:

> There was a high-level conference [at Liphook in July 1984] which recommended severe retrenching and reducing to core businesses. But they were going to eliminate or cut everything else, so UAC was being prepared for

[501] Interview with Tony Thomas, 6 July 2014

[502] UAC 1/1/6/3/6, Unilever Memo dated 15 August 1984.

[503] Both Griffin and Thomas revealed that they were puzzled as to why the parent company allowed UAC to continue as a going concern post the McKinsey report hence the previous claim by Thomas that he thought that the personal relationship between the respective chairmen greatly influenced that decision.

disposal although that was never stated. Most participants there believed this would be UAC's salvation rather than one step on the way to its demise.[504]

On implementation of the rescue plan, the UAC board was reduced to six directors (from ten), reflecting a slimmed-down business that was broken down by territory, Anglophone and Francophone. Thereafter, trading divisions were subdivided into consumer goods and industrial products. The five core trading divisions that survived the cull were Levertons (Caterpillar and other vehicles), CEIM and Cabus ET Raulot (electrical wholesale), Qualitair (refrigeration), various Brewery companies (agency contracts with Guinness and Heineken) and finally a truck dealership based in Coventry, Ford & Slater.[505] These divisions were all categorised as specialised trade and agency work which offered, with the exception of breweries, additional after-sales business. They were also transferable to other countries and did not involve too much manufacturing on the part of UAC. Gone were the timber concessions, the cement business, the Kingsway supermarkets and the foam mattress factories, most of which had been located in Nigeria. The slimmed-down business stumbled on, although it was not long before cracks began to appear in the plan, which made Unilever's next move that much more straightforward.

Just 18 months after implementation of the new business plan, two of the remaining UAC divisions, Qualitair and Ford & Slater, were assessed as incompatible with Unilever business and packaged up for sale.[506] Quite why it took so long to arrive at that verdict is unclear, however, one could hazard the guess that it may again have been a case of self-preservation on the part of a UAC board trying to salvage what business it could. UAC was left with three divisions: Breweries, Electrics and the Caterpillar franchise held under Levertons. To compound matters, in 1985 the Nigerian government officially devalued the Naira, and thereafter the sterling value of dividends and other investments dropped dramatically. As a result, repatriated receipts from UAC (N), expected to be somewhere in the region of £22 million, dropped to just £6 million.[507] This greatly reduced figure was reflected in

[504] Interview with Tony Thomas, 6 July 2014.
[505] UAC 1/1/6/1/7, Board Meeting Minutes at Liphook, 10-12 December 1984.
[506] UAC 1/2/4/7/9, BEAM McKinsey Recovery papers 1983-4.
[507] UAC 1/1/5/4/17, Unilever Directors Conference Minute 170, 4 September 1986.

lower dividends paid to Unilever for the years 1985 and 1986, as Table 5.9 below shows.

Table 5.9: UAC (I) Annual Accounts 30 Sep 1984 – 30 Sep 1987[508]

Year End	Net Profit £m	Dividend £m	Reserves £m
30 Sep 1984	4.167	25	52.5
30 Sep 1985	9.32	10	51.9
30 Sep 1986	14.9	10	56.8
30 Sep 1987	18.7	75.5	0

The net profit for 1984 was around a fifth of the figure for the previous year (see Table 5.7), and even that and the subsequent figures in this table must be viewed as artificial in that they were bolstered by the ongoing sales of business assets in Nigeria. Two years after approving the rescue package, the Special Committee had no alternative but to wield the axe once more. Consultants McKinseys were recalled, and this time the brief was much more straightforward: which parts of the UAC business, if any, could be saved? The final break-up of UAC began in January 1987, and the few parts of the business considered worth retaining were incorporated into Unilever's Overseas Division and the Africa and Middle East Group (AMEG). With that, UAC lost its long and cherished autonomous status.

Even at that very late stage there was a misplaced conviction within the subsidiary's management that the UAC name could live on as a semi-autonomous division within AMEG. However, although staff in London continued to front up at UAC House, numbers dwindled as the painful process of downsizing got underway. Within a year, staff numbers had dropped a further 40 per cent. The shipping offices in Liverpool were shut down and in Manchester the GBO offices also closed. The Hamburg and Brussels branch offices ceased trading, and in Paris the Francophone territory workforce was slashed from 400 to 100.[509] Despite these cuts, head office

[508] UAC 1/1/1/6/32, Report of Annual Accounts, 1984-87.
[509] UAC 1/1/1/6/34, paper on staff reduction in European offices, undated.

costs still hovered stubbornly around the 2 per cent mark of total turnover, a figure that compared poorly with head office costs for the Overseas Committee that were just 1 per cent of group turnover. Even right at the end, then, UAC was far too top heavy. Finally, and symbolically, the lease to UAC House was surrendered to the landlords, Norwich Union, in 1987. Early surrender of the lease attracted a sizeable credit payment of £10 million to UAC due to spiralling demand for office space in London at that time. The Human Resources manager who oversaw the transaction later commented that:

> The 1958 lease signed on UAC House was for 45 years. Unilever were only paying a fixed rent of £1.50 annually therefore they negotiated a substantial sum to leave 14 years early which was more than the total profits for Nigeria that year![510]

In early 1988, the doors to UAC House finally closed for good.

Reviewing UAC (and Unilever) Strategy

It is always a much easier task to identify why a company failed in retrospective than it is to predict failure in the first place, but the retrospective view does provide a valuable lesson nonetheless. The UAC business in Nigeria spanned an era of British imperialism and thereafter independence. Trading conditions after decolonisation were fluid and frequently more challenging for British companies operating in new and independent nations. As a present reminder of British rule, UAC was clearly never going to be a favourite among Nigerian politicians, who were never predisposed towards the company and the huge commercial market share it retained. Nor did UAC subscribe to buying favour with politicians as some other foreign companies allegedly did.[511] In that respect, the board of UAC was always fighting a losing battle with the authorities and, by implication, in the all-important public relations game. That said, it is clear that at crucial times glaring errors of judgement were made by the UAC board which had become accustomed to near monopolistic trading conditions during British rule. Specific areas of the trade were shut down when they perhaps should have remained open. Some others, pursued under the flawed diversification and redeployment programme, should never have

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[510] Unilever Archives, GB1752.OH/53, Interview, Richard Greenhalgh, HR Management, 6 October 2010.
[511] Interview with David Griffin and Tony Thomas, 6 December 2012. Both accused other foreign firms (Lebanese and others) of paying bribes to Nigerian politicians to gain their favour.

been opened in the first place. The prevailing political economy of Nigeria was always the main determining factor for UAC business success or failure overseas. Therefore, 'the Coast' trade was always profitable under British rule and, indeed, very much so when the Nigerian economy was stable and open. However, by the 1970s the fervour of economic nationalism and compulsory local participation gripped the nation and was pursued forcefully through a raft of indigenisation legislation under the NEPD programme. The result was that foreign investment dried up in all but the oil sector. Somewhat inevitably, the Nigerian economy started to collapse in the 1980s as a result of a steadily deteriorating price of crude oil. The final years of UAC trade in Nigeria can be viewed metaphorically as being that of a slow moving tanker heading inexorably towards grounding. In the face of declining revenues, Unilever intervened too late in the day and could only salvage those parts of the subsidiary still worth saving. It is not surprising therefore that very little of the business was saved in Nigeria.

But in a more general sense, UAC was more than just one of many Agency Houses that fell on hard times after British rule. UAC epitomised trade in Nigeria and was a major player in the spread of British commerce across Africa that spanned back into the 19th century. In that respect, UAC at its height was a shining example of British overseas commercial strength and, subsequently, after independence reflected a volatile relationship between former power and colony. As all African nations sought self-determination more forcefully through economic nationalism, the role of the traditional British overseas trading enterprise or, Agency House, passed into history on the continent.

In 1994, Unilever disposed of a remaining 40 per cent holding in UAC (N) and with that went the last business link to Nigeria. The company, UAC (N), still operates today as a Nigerian-owned business, although very little remains of this once vast and powerful trading multinational. In the final years of UAC, London directors expended an inordinate amount of time and effort combating the many challenges posed to foreign business in Nigeria. As legislation became more divisive, all foreign companies came under fire from what was ultimately a populist and self-serving nationalist-driven agenda. One can certainly question the motives and ultimate aims of the authors of that legislation, but what is now clear is that they were the architects of an economic strategy that saw the nation's finances slip deeper into the red just a decade after a glowing appraisal by the OECD. The inevitability of the Nigerian recession that resulted was accelerated by the NEPD programme and a populist assault on resident foreign business that was sponsored by an unstable regime. These weaknesses in Nigerian politics, combined with a struggling economy, conspired to decimate UAC trade. Once it was clear that the diversification and redeployment effort had foundered, the fate of the business was sealed. Thereafter it was merely a question of when rather than if the company would exit Nigeria.

Looking at the UAC business from a distance, it appears that the company was frequently a victim of its own success: it was far too dominant and focussed on Nigeria and therefore unable to change course easily. The bigger the company became in West Africa, the more isolated and fragile it was. There were few business alliances, no commercial talking shops and no collective company lobbying of authorities at the end of British rule. This does not take away from the fact that, as the leading trading enterprise in West Africa, there were times that UAC did profit enormously. Perhaps for that reason, the London board was too distant to fully appreciate the unstable political and business environment of Nigeria. Directors were slow to act and innovate, reassured by a conviction that, despite dips in profit, the good times would come again. After Nigerian independence in 1960, Unilever identified critical flaws in the UAC business model and openly queried the subsidiary's commercial future. In that respect, it could be argued that UAC management ignored the danger signs for too long and should have acted sooner, as the parent company should have as well. By the 1970s, though, it was too late and the subsequent effort to redeploy out of Nigeria became more desperate as a number of ventures foundered. Indeed, Griffin confided that management were so frantic by the late 1970s that they were close to making offers for the established multinationals Rolls Royce and Guinness.[512] There were, of course, other opportunities that were not fully explored over the years. One of those was the commodity trade and estate management, a role that the company board had discarded by 1960.

[512] Interview with David Griffin and Tony Thomas, 6 December 2012. Both remarked that the board of UAC was actively attempting to purchase established UK firms, among them Rolls Royce and Guinness.

The challenges faced in the Nigerian commodity trade and, particularly the palm oil industry, are symptomatic of the deficient effort directed at economic development by authorities after the Second World War. Nationalist authorities, including those colonial representatives before them, simply failed to grasp the benefits to be gained by allowing private companies to invest in agricultural production. Any form of foreign company participation in crop production was consistently blocked in Nigeria, and therefore the necessary investment to modernise the sector was never there. Wider rural development suffered as a result with a consequent human price paid by those that populated the sprawling and crime-ridden urban centres. After UAC had exited the produce trade, Nigerian exports in particular commodities such as palm oil fell far behind that of competing nations like Malaysia. It is contended here that the palm oil industry could have provided a redeployment route for UAC that was never explored. Although former employees have firmly argued that estate work was never core business, there was scope to invest significantly in the industry, especially in Malaysia (and elsewhere) where Unilever already had a presence. As previously noted, UAC possessed bulk shipping capability, estate management experience, research facilities and, most importantly, capital. Of course, trading offices in Europe would have needed to be rationalised, no doubt with some pain and redundancies. However, investment in the estates of Malaysia could have been pursued by management and would certainly have been more profitable than most of the failed ventures that proliferated under the subsidiary's redeployment strategy. It was obviously a missed opportunity and one that UAC was desperately in need of when trade collapsed in Nigeria. Thereafter, the main revenue generator for the former 'Business Octopus of Africa' was gone.

The final chapters now turn back to Malaysia and the British Agency Houses there, which continued to command much of the estate industry after independence. Here, the government also introduced new policies in the pursuit of economic nationalism from the former power. That also involved breaking down the residual and dominant commercial strengths of the British Agency House and their business stake in the estate industry. In Malaysia, though, the methods employed to achieve those aims were very different, as were the subsequent outcomes for resident British business and the Malaysian economy as a whole.

Chapter 6: Malaysia - 1957 (Independence) – 1969 (Race Riots)

Introduction

Hari Merkeda or Independence Day for Malaysia arrived on 31 August 1957, and the nation was free from British rule. However, while the people of Malaysia could rightly claim to be politically liberated, it would be many more years before the nation could declare itself entirely free in an economic sense. Like Nigeria, the nation's economy was wedded to an imperialist mode of production constructed around a commodity trade that continued to be run by British Agency Houses like Barlows, Guthries and Harrisons. At independence, moreover, the estates were in the midst of change caused by the large-scale take up of oil palm as a new and substitute crop to rubber. Therefore, this chapter continues to chart the commercial strategy of the Agency House in Malaysia to understand the business development that took place within an estate industry driven by British investment. How those British Agency Houses shaped their business and corporate structures in response to new legislation introduced by successive Malaysian regimes forms much of the analysis in these chapters. Company governance also explains why one particular Agency House, Harrisons, fared that much better than others. Proficiency at board level and an ability to adapt to changing circumstances overseas became an important corporate feature that would eventually determine whether an Agency Houses survived or perished. This first of two chapters on Malaysia in the post-independence era runs from the coming of independence itself until the Sino/Malay riots in 1969. The outbreak of violence between the two most populous ethnic groups in the country heralded a changing of the guard in government and a reset in the way the private sector and those all-powerful Agency Houses were handled thereafter. It also set in motion a steady erosion of the business conditions that had served the Agency House so well down through the years in the former British colony of Malaysia.

Malaysia and 'pseudo-Independence'

Malaysia's transition to nation state was one of seamless political succession during an otherwise chaotic period that encompassed British withdrawal from Empire. After achieving independence in 1957, the economic record of Malaysia has, for the most part, been exceptional when compared to that of most other former British colonies.[513] Some of the fundamental reasons for that economic success are worth touching on prior to moving on to examine the business and company aspect of the story.

A major factor behind that impressive economic development record for Malaysia was political stability. In Malaya, the free elections of 1955 had delivered rule by an Alliance Party consisting of moderate representatives from all three major ethnic groups. Thus, at independence, the broad appeal of the government ensured that the nation avoided the tribal, religious and/or racial strife that plagued so many former British colonies. A second factor lay with a British commitment to defend Malaysia's democratic status. Although the country was embroiled in a Communist insurgency, the Commonwealth troops that were fighting alongside a Malayan home guard had effectively besieged the MNLA in the jungles of three states, Kedah, Kelantan and Perak.[514] Indeed, the Malaysian Emergency became something of a unifying struggle that brought together different factions in the country. Although British estates bore the brunt of the conflict, the commodity trade was as crucial to the Malaysian regime for employment and revenue as it was to the Agency Houses that exercised 'de facto' control. A third factor lay with a Malaysian economy that remained, in many respects, tied to the British Treasury and the capital markets in London. The Malaysian Ringgit currency was pegged to Sterling and therefore relied on comprehensive economic recovery in the former power. As the British economy began to recover, Malaysia reaped the benefits from an export-orientated trade in commodities. All of these factors taken together laid a foundation for steady economic development and a business *status quo* within a fundamentally agrarian and export-orientated private sector. In that favourable commercial environment, the Agency House continued to reap vast profits, much of which were ploughed back into the estates.

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[513] Malaysian economic growth averaged 5.7% annually in the years 1957-70 and 6.9% 1971-80. See Jaya Gopal, *the Development of Malaysia's Palm Oil Refining Industry: Obstacles, Policy and Performance,* Thesis, University of London, January 2001, p. 104. Also Zainal Aznam Yusof and Deepak Bhattasali, *Economic Growth and Development in Malaysia: Policy Making and Leadership,* Working Paper No. 27, Commission on Growth and Development, (IRBD/World Bank, 2008).

[514] For a detailed account of the Malaysian Emergency and map of the 'the Battlefield' see Noel Barber, *the War of the Running Dogs: How Malaya defeated the Communist Guerrillas 1948-60,* (London: Cassell, 1971), p. 13. Also interviews Henry Barlow, 6 August 2013 and Rod MacKenzie, 14 November 2012.

In many ways, the extant economic ties to Britain were most apparent in an estate industry that was dominated by British firms. However, it was not all one-sided, given that investment continued to flow into Malaysia on the back of that British estate presence. That investment was instrumental in allowing government to put in place long-term development plans. As a result, the first Malaysian regime was something of a facilitator for inward investment and displayed an attitude that, to all intents and purposes, appeared at ease with the significant British business interests in country. In response, the London boards of the Agency Houses sanctioned further investment in the estates while publicly voicing approval of the new Malaysian regime. In 1958, for example, the *Straits Times* published an interview with the Harrisons' chairman, Sir Leonard Paton, who remarked 'the Federation is to be congratulated upon a remarkably successful and happy first year of independence'.[515] Moreover, a number of British companies contributed financially to the Alliance Party that was headed by an anglophile Tunku Adbul Rahman.[516] That patronage went some way to maintaining the business *status quo*. It also spawned claims of business-sponsored neo-colonialism aided and abetted by the Malaysian ruling class.[517] Regardless of this, there is little doubt that the Malaysian *laissez-faire* approach to foreign business and capital assets placed the Agency Houses in a very strong position and able to extend commercial ambitions further. That business strength brought influence in a number of sectors, most notably in the estates. As a consequence, one final factor behind Malaysia's economic development lay in the willingness of the Agency Houses to put in place long-term investment strategy and most obviously in the estate industry. On the estates, British firms were producing 60 per cent of a Malaysian rubber by 1960.[518] As major stakeholders in the estates, moreover, the Agency Houses now began directing investment towards an alternative oil palm crop that offered great

[515] H&C MS7019/8: 'Harrisons and Crosfield Ltd', cutting from the *Straits Times,* dated 18 November 1958.
[516] See Nicholas J White, *British Business in Post-colonial Malaysia,* pp. 58-62. White revealed evidence of British business funding to the Alliance Party through the Tunku Abdul Rahman National Fund. Unilever never participated in the practice. Tunku Rahman (and others) was viewed 'anglophile' due to being educated in England and an apparent predisposition to British interests (for Rahman that included horse racing).
[517] White, *British Business in Post-Colonial Malaysia,* p. 1-4. White addressed claims of neo-colonialism, referring to Malaysian independence as 'pseudo-independence' due to the 'strong position' of British firms at that time and a dependency on the British 'metropolitan bourgeoisie'. This applied to the estates where 180 British companies owned 800,000 acres, 59% of total Malaysian rubber coverage in the mid-1960s.
[518] Nicholas J White, 'British Business Groups', p. 155. White states that in 1960 over 60% (of 1.75 million acres) of Malaysian rubber acreage was under *de facto* control of the British investment groups.

potential.[519] It is therefore worth underscoring here some of the economic ties that bound Malaysia to Britain after independence and the trade impact and benefit that the Agency House was able to accrue as a result.

The Malaysian Economy and Politics

In order to set the scene, it is worth repeating an obvious though important point; an export-orientated economy cannot operate in a commercial vacuum as external factors will always intrude and influence that trade. That was certainly true of resource-rich Malaysia and, by extension, the British firms that directed so much of the nation's commodity trade. At independence, the rubber and tin industries together accounted for 80 per cent of gross Malaysian exports within an economy that was averaging 5.7 per cent growth annually.[520] Malaysia though, had a negligible industrial capability, largely due to that aforementioned imperialist mode of production that was a common feature of British rule. As such, the nation imported finished goods mainly from Britain. The Malaysian commodity trade had rewarded the British Treasury very well down through the years, most obviously as it tried to navigate fragile Sterling through treacherous financial markets. However, the dollar debt for some colonies was huge and, in that respect, Malaysia's sat at the top of the pyramid.

A measure of the British stake in Malaysia was revealed in 1963 by the UK Trade Commissioner in Kuala Lumpur, who advised Prime Minister MacMillan that an estimated £400-500 million of capital was tied up in the Federation. The figure then was greater than that of the whole of India.[521] It gives some idea of the economic interdependency that existed between former power and colony. Consequently, some relationships with former colonies proved to be more durable than others by virtue of economic necessity. Moreover, Malaysia was a strategically located democratic state in a troubled part of the world. Indeed, the emerging Cold War in Europe had softened the US administration's anti-imperialist rhetoric as the

[519] From 1965, the Malaysian palm oil industry experienced an annual growth rate of around 17 per cent. Department of Statistics, Malaysia, Export figures for 1973, Palm and Kernel oils Annual Growth 1965-73.
[520] Rokiah Alavi, *Industrialisation in Malaysia: Import Substitution and Infant Industry Performance,* (London: Routledge, 1996), pp. 28-29.
[521] White, *British Business in Post-Colonial Malaysia*, p. 3.

former British colonies in the east now became bastions of capitalism in the struggle against the Communist ideology. Prior to Malaysian independence, British authorities had recognised that to avoid Communism gaining a foothold in the colony, the economic status and welfare of the people must be improved. This is where the British company came in, as any amount of business investment in Malaysia was of twofold benefit. First, capital aimed at the estate industry helped raise the social status of a largely rural indigenous people by providing employment as well as infrastructure and welfare improvements. Second, and perhaps more importantly, any new commercial venture in the estates would increase the dollar-earning capability of Malaysia, allowing it thereafter to become a beacon to other international investors. It was therefore, perfectly rational that the Malaysian regime would seek to maintain that amenable stance to resident British firms. In fact, the Malaysian Minister of Commerce and Industry went to great lengths to assure foreign investors that their stakes were safe and that no restrictions would be placed on the free movement of capital or the remittance of profits.[522] This of course, not only complemented wider British ambitions on the international stage but paved the way for the Agency House to advance interests in the estates relatively free from public interference.

Agency House Investment and Profit

In the immediate aftermath of independence, relations between British firms and local authorities were rarely confrontational, a point confirmed by those interviewed.[523] This was a major boon for the Agency House and a contributory factor in producing annual accounts that continued to impress. Harrisons' profits were especially buoyant which allowed the board to increase share capital while maintaining impressively high dividend awards, as Table 6.1 indicates.

[522] The Straits Times, 1 January 1958. Cited in White, *British Business in Post-Colonial Malaysia*, p. 58.

[523] All of those interviewed maintain that relations with Malaysian officials were always privately cordial and conducted on a business footing. At times politicians did denounce the British presence although it was viewed political rhetoric. MacKenzie recalled a rally he attended at Kunak in Sabah which was expected to be anti-British in tone. However, just as the Chief Minister of Sabah, Tun Mustapha rose to speak, the heavens opened to monsoon rains. The audience scattered leaving MacKenzie and another British manager from a neighbouring estate. The Minister looked down to the British planters and said, 'Rather pointless don't you think' and, 'good, where can we have a coffee'. Interview with MacKenzie, 14 November 2012.

Table 6.1: Harrisons Figures Extracted from Annual Accounts 1958 – 63[524]

Year	Profit £m	Share Capital £m	Share Dividend %
1958	1.196	1.5	15
1959	1.258	1.5	15
1960	1.656	2.5	12
1961	1.618	2.5	15
1962	1.566	2.5	16
1963	1.621	2.5	18

The table shows that consistently high profits spawned generous dividends, which were above those of most FTSE companies. Crucially, share capital also increased to £2.5 million, and, in 1963, the board reported that assets were now valued at £20 million, three times the corresponding figure in 1958.[525] It was hardly surprising therefore, that those Agency House returns attracted further investment to Malaysia. In 1957, Harrison's long-serving chairman, Sir Eric Miller, passed on the reins to Leonard Paton. Thereafter, Paton kick-started a further burst of business diversification which included expansion in the builders' merchant division in Britain under the Harcros name. Paton also had an eye on new technology and, in the late 1950s, the company began manufacturing a new type of cyclised rubber for use in printing inks and paints. Those new products were brought to market and sold through existing branches of Durham Raw Materials. For the other Agency Houses, financial returns were just as impressive.

Large profits were being posted by all British Agency Houses at this time. Barlows saw profits treble in the decade following independence, while dividends to family members more than doubled by 1968.[526] In Singapore, Guthries also posted impressive profits helped along by an extensive oil palm planting programme that was now maturing. By 1963, the company owned over 26,000 acres of oil palm

[524] H&C MS37017/7-9, figures extracted from Harrisons Annual Reports to Shareholders, 1958-63.
[525] H&C MS37017/9, figures extracted from Harrisons 1966 Annual Report to Shareholders.
[526] Barlow Box 66, Annual Accounts 1967, reported a profit of M$339,352 (£46,034) and Dividends were M$208722 (£28,313). 1968 figures were M$1,114,040 (£152,616) and M$439,343 (£60,187) respectfully.

across five estates. The palm oil produced generated a profit of £563,334, a six-fold increase on the corresponding figure for 1956.[527] Clearly the significant research effort directed at oil palm was beginning to produce results, with yields increasing on all British estates. Most profits from the estates were, of course, repatriated to London, and, in 1967, it was reported that an estimated M$300 million (£35.1 million) of dividend and interest payments flowed out of Malaysia each year.[528] In the palm oil industry itself, Malaysia had no refinery capability apart from the Lever Brothers factory at Kuala Lumpur. Therefore, crude palm oil (CPO) was exported to refineries in the UK and the Netherlands. It was those western refineries therefore that realised downstream product value-added in the commodity. At one point, CPO sold at £70 a tonne to western refineries was in turn sold as vanaspati (vegetable shortening) on the Indian sub-continent at around £140 a tonne.[529] This perhaps poses an obvious question: why was there no discernible nationalist backlash to the lingering British commercial dominance in an estate industry generating vast profits?

A 1967 speech by the Malaysian Minister of Finance revealed much about government policy at that time. He said that 'the surest way to trigger off a flight of capital is to impose restrictions on capital outflow'.[530] Therefore, with the government's endorsement, British investment kept on flowing into the estates. A demonstration of that investment in action took place when Unilever's PAMOL arrived at Labuk Valley on Sabah in 1960. In just two years, the company was providing work for 2,500 workers and families on a new estate and had built a palm oil mill which was also made available to local smallholders. Workers' housing was built, as well as an airstrip, hospital, dental surgery, secondary school and a road that was carved through the jungle to the nearest major settlement at Sandakan.[531] Of course, this type of financial commitment was not an act of altruism: the PAMOL

[527] Guthries G/LP/28 for oil palm acreage figures and G/OPM/17 for Oil Palm Malaya Accounts. A profit of £89,442 was posted for palm oil in 1956 on 12,000 acres of estate land.
[528] White, *British Business in Post-Colonial Malaysia,* p. 59, for exchange rates throughout see <http://fxtop.com/en/currency-converter-past.php>, (accessed, 25 August 2015).
[529] Gopal, Malaysia's Palm Oil Refining Industry, p. 148.
[530] National Archives, Kew, Foreign and Commonwealth Office, FCO 24/162, Economic Section, Kuala Lumpur to Commonwealth Office, 26 May 1967, summary of speech by Tan Siew Sin, the Malaysian Minister of Finance.
[531] Leslie Davidson, 'a Green Charter', paper presented at the International Planters Conference, June 2003 dated 15 December 1989, p. 19.

estate generated handsome profits for Unilever. However, it is appropriate to emphasise at this juncture that investments of this size were not an option for the Malaysian authorities and/or indigenous firms. However, the government agency, the Federal Land Development Authority (FELDA), was well placed to piggyback onto those new British estate ventures, and this would subsequently help provide employment for a vast number of disenfranchised rural Malays. It is therefore worthwhile digressing from the focus on British Estate Houses to look at FELDA and the agency's role in the diversification that took place on the Malaysian estates.

<u>FELDA and the Estates</u>

One of the main architects of FELDA was Tun Abdul Razak, who later became Malaysia's second Prime Minister. Abdul Razak championed the cause of the indigenous Bumiputera under a banner, 'land for the landless' and 'jobs for the jobless'.[532] The scheme was relatively simple in design and promoted as a means to eradicate rural poverty. Davidson listed the benefits of a plantation culture thus:

> The most serious problems facing Less Developed nations at this time were: lack of food, lack of employment and rural to urban drift. Plantation ventures can probably play a more direct role in each of these three problems than any other form of investment.[533]

FELDA participants were allotted 10-14 acres of land to grow rubber (later oil palm), with some land set aside for food production. Each family received a start-up loan to buy the land, which was then repaid in monthly instalments over 15 years. Housing was also provided, and settlers lived communally in planned villages. Each plot of land formed part of a larger estate to allow for the provision of various ancillary support services including milling factories. Only rubber was grown on those estates when FELDA first launched, however a replanting programme on British estates was soon adopted by FELDA and in 1962 the agency began offering a grant of M$1,860 (£224) per hectare to encourage participants to convert to oil palm.[534]

Raja Alias, a former chairman of FELDA, acknowledged that a 'major consideration [for replacing rubber with oil palm] was high returns from investment

[532] Raja Alias, unpublished Paper presented at FELDA International Conference 2006, 8 July 2006, p. 1.
[533] Leslie Davidson, 'Agricultural, Globalisation and the impact on Malaysia's Oil Palm Industry'.
[534] Pletcher, 'Regulation and Growth', pp. 626-7.

in oil palm cultivation'.[535] In a decade, around 200,000 acres of rubber was replanted and such was the pace that, by 1970, FELDA accounted for 30 per cent of Malaysia's oil palm land.[536] Clearly, FELDA followed the lead of the British into oil palm, but it did not come cheaply. By 1983, FELDA had disbursed M$3.926 billion (£981.5 million) of loans, with 90 per cent provided by the public purse and the rest by the World Bank. That was an average of M$47,420 (£11,855) per family settled, and, by then, 47,906 families were working oil palm estates. That was 57 per cent of all scheme participants.[537] Overall FELDA's record as a rural development scheme was spectacular and, over the years, provided much more than mere employment to Malaysians, a point Mackenzie was quick to highlight:

> Malaysia could easily have imploded; it was saved by FELDA and Land Development. FELDA has gone a long way towards stabilising or closing the gap between the people with absolutely nothing and the people who have at least got their working wage.[538]

Indeed, the World Bank lauded FELDA as 'one of the most successful land organisations in the world'.[539] FELDA has continued to expand even out-with Malaysian borders and now operates 56 thousand hectares of oil palm in Indonesia. A total land bank of 450 thousand hectares now means that FELDA is the third largest estate operator in the world.[540]

The undoubted success of FELDA underscores an earlier claim made here regarding the emergence of a shared vision between British estate and Malaysian regime. In the period 1956-70, agriculture and wider rural development accounted for 22.3 percent of government spending in Malaysia, compared to just 2.4 percent on industrial development.[541] FELDA was therefore an intrinsic part of the government's economic strategy which, at independence, still relied heavily on the

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535 Raja Alias, 6 November 2013. Email response to question by author.
536 Gopal, Malaysia's Palm Oil Refining Industry, p. 167 and Barlow, Natural Rubber Industry, pp. 444-5.
537 Malaysia, Federal Land Development Authority (FELDA), *Annual Report, 1983*, (Kuala Lumpur: FELDA, 1983), p. 15 (1983 exchange rate). See <simedarbyplantation.com>, (accessed, 1 November 2014).
538 Interview with Rod Mackenzie, 14 November 2012.
539 'World Bank gives Felda high rating', *New Straits Times,* 2 March 1988.
540 Figures extracted from FELDA Global Ventures, see < http://www.feldaglobal.com/our-company/milestones/>, (accessed, 25 August 2015).
541 Anoma Abhayaratne, 'Poverty Reduction Strategies in Malaysia 1970-2000: Some Lessons', <https://www.um.edu.my/docs/librariesprovider7/working-papers/fea-wp-2004-014.pdf?sfvrsn=2>, (accessed, 3 June 2016).

contributions made by those British estate operators. Among those contributions were the many advances made on British estates, all of which FELDA and the wider commodity trade directly benefitted from. Indeed, Harrisons and Unilever even funded training courses for FELDA scheme participants.[542] That holistic approach to agriculture marked Malaysia out from other nations, most notably Nigeria, where minimal investment reached the sector after the end to British rule. The Malaysian government was, in those early years, a rare breed that viewed agriculture as a route to achieving economic development. It was no accident then that, in a foreign dominated yet business-friendly estate industry, the Agency House was therefore able to go from strength to strength.

Palm Oil and the Malaysian Economy

Although a number of Agency Houses operating in other former British colonies could claim similar levels of commercial dominance after independence, their position was not always as assured as those in Malaysia. In Malaysia, the targeting of resident British firms legislatively was not government policy immediately after independence, hence the continued flow of British capital and personnel into Malaysia. A survey of 144 foreign companies conducted by the Malaysian Chamber of Commerce found that investment, measured by growth of fixed assets, increased by over 38.5 per cent for the years 1969-72.[543] That foreign investment does, in many ways, correlate with the rapid expansion that took place in the estate industry. Therefore, it is fair to argue here that rising company profits in the palm oil trade allowed them to make a major contribution to the economic growth of Malaysia. That claim provides some context and a foundation for the further evolution of the Agency House in the estates and a decisive move into oil palm.

At independence, Malaysia was the world's largest exporter of natural rubber, and the global market prices obtained for that commodity largely dictated

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[542] Interview with Leslie Davidson, 10 July 2015. Davidson made the point about the British company provision of company training courses to FELDA settlers during the 1960s. Also, interview with Brian Gray, 5 December 2012. Harrisons also provided training to FELDA staff and management.

[543] Barlow Box 85, Letter by Malaysian International Chamber of Commerce dated 10 January 1974, p. 3. The letter revealed that the collective fixed assets for 144 foreign companies in Malaysia totalled M$1392 million (£210 million), and a Treasury Economic Report for 1973 reported that the long term capital inflow in 1973 from these companies stood at M$207 million (£31.2 million).

government spending.[544] British estates that produced much of that rubber experienced unpredictable returns due to constant market volatility. The Agency Houses attempted to mitigate erratic revenues by merging estates to achieve efficiencies of scale. The Highlands & Lowlands Para Rubber Company, managed by Thomas Barlow, for instance, bought out a number of estates and added them family holdings. In 1958, Barlows then acquired Vallambrossa, Selangor, Sungei Way, Changkat Salak and Heathwood rubber estates. In the next five years, Barlows added a further eleven estates in Malaysia and by 1964, holdings were as indicated in Table 6.2.

Table 6.2: Rubber Estates in Highlands & Lowlands Group 1964[545]

Anak Kulim	Elmina	Midlands	Sungei Rengam
Bukit Cheraka	Emerald	Rasak	Sungei Tekel
Bukit Jelutong	Heathwood	Riverside	Sungei Way
Bukit Selarong	Highlands	Selangor	Tampin Lingii
Byram	Jin Seng	Sembilan	Torkington
Changkat Salak	Kalumpong	Strathairlie	Vallambrossa
Edinburgh	Kapar Bahru	Sungei Rawang	

The table lists the consolidated estates that made up the Highlands & Lowlands Group in 1964. It does not include twelve other estates held separately within the Barlows Secretariat. All estates were in Malaysia, which again serves to demonstrate the family's geographic focus and consolidated business approach to business management. Indeed, the estate holdings became core business when the merchandising arm, Barlow & Company (Singapore), was sold to Bousteads in 1959.[546] Henry Barlow recalled his father's acquisition strategy and the motivation for expanding the Highlands & Lowlands Group:

> The reason that my father went on the takeover trail in the late 50s and early 60s was that the then [Advisor to the] Governor of the Bank of England,

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[544] Barlow, *Natural Rubber Industry,* pp. 443-445. According to the Barlow production figures, the Malaysian Peninsula produced just over a third of total world production of rubber, 1933 tonnes, at independence.
[545] Barlow Box 12/2, various business correspondences relating to rubber estates in the Highlands & Lowlands Group, 1958-66.
[546] Barlow Box 25/2, correspondence with Boustead Ltd on takeover of Barlow & Co (Singapore), 1959-60.

> Thompson-McCausland, an acquaintance of my father's, said the small rubber companies must amalgamate. Unless they became larger units, the institutional investors would not be prepared to invest in them.[547]

Henry Barlow also revealed evidence of connections in high places and added that his father and Thompson-McCausland were close friends. Moreover, the other brother at the head of the business was Sir John Barlow who served as a Conservative Member of Parliament from 1952 to 1966. The advice offered by McCausland regarding estate consolidation appeared sound and was endorsed by David Hopkinson of M&G, who stated the Malaysian estates were one of his company's biggest investment targets.[548] Henry Barlow elaborated on that alleged access to privileged information and investment patterns thereafter:

> The Governor presumably passed a similar message to Guthries and Harrisons. All in all though, the fact that these companies were willing to invest heavily in a newly independent Malaya and investors at home were happy to buy their shares indicates the confidence that existed in the new Malayan government headed by Tunku Abdul Rahman.[549]

In that vein, Gent of Guthries revealed that his fellow directors were also on good terms with Bank of England officials. Indeed the Guthries board enlisted the services of the governor himself, George Baring, in 1963 to preside over the delicate matter of succession at chairman when the incumbent, Sir John Hay, refused to stand down.[550] That disclosure alongside Henry Barlow's statement was illuminating in several respects. First, it indicated that the management of the Agency Houses had access to privileged counsel, perhaps privately, from some of the most powerful figures in the City. Secondly, the Bank of England was predicting a bright future for the Malaysian estate industry despite the challenges faced by British companies in

[547] Interview with Henry Barlow, 6 August 2013. The majority of Barlow estate land was in the Highlands & Lowlands Group. Tom Barlow, father of Henry, was chairman of that part of the family business.
[548] Interview with David Hopkinson, 4 July 2014. M&G was the largest investor in plantations. Hopkinson managed many of these investments and was on personal terms with a number of Agency House directors.
[549] Interview with Henry Barlow, 6 August 2013.
[550] Interview with Marcus Gent, 11 July 2014. In the early 1960s the board of Guthries split into two factions; one half backed the incumbent chairman, Sir John Hay (now 80 years old and by nature an 'obdurate' Scotsman). The other half wanted Hay to stand down. George Baring, Governor of the Bank of England, was 'brought in to organise a settlement'. Also of interest, Gent's father was Sir Edward Gent, first British High Commissioner to the Federation of Malaya. Edward Gent died in office when a plane he was in crashed near Northwood, North London on 4 July 1948.

many former colonies not to mention the threat posed by synthetic rubber.[551] That institutional backing generated confidence in the City and encouraged large investment funds, like M&G and Scottish Widows, to invest in Malaysia. In effect, estate consolidation was considered desirable because size mitigated risk. A further point worth making here is that the estate consolidation carried out by Agency Houses at this time would benefit Malaysian authorities in later years. This is a subject addressed in the final chapter. Meanwhile, as British investment flowed into the estates, the position of the Agency House at the head of the industry was further augmented. Collectively, all of these factors taken together laid the ground for the large-scale crop diversification that took place on the estates.

As mentioned previously, Malaysia was relatively open to foreign capital and business, and, as such by 1960 sixty per cent of all estate land was owned by British firms. That consisted of 492 estates covering 1,170,831 acres compared to 1,762 smaller Asian-owned estates covering 771,341 acres total. At the head of that British estate total were the Agency Houses. Table 6.3 gives a snapshot of the dominant position occupied by the Agency Houses within the estates just after independence.

Table 6.3: Breakdown of Malaysian Plantation Acreage as at 1962[552]

Agency House	Estates	Acreage	Total Malaysian Estate Acreage as a %
Barlow & Brother	77*	164,486	8.47
Guthrie Corporation	97**	185,465	9.55
Harrisons & Crosfield	114***	178,948	9.21
Total of all three	288	528,899	27.23
Malaysian Totals	**2,254**	**1,942,172**	**100**

* Of those 77 estates, the Barlow secretariat owned 39 outright.
** Of those 97 estates, Guthries, through various companies, owned 25 outright.
*** Harrisons owned none of the estates outright.

[551] Barlow, *Natural Rubber Industry,* p. 92. In 1962 production of synthetic rubbers surpassed that of natural rubber for the first time. As a result, the price of natural rubber declined markedly during the 1960s.
[552] These figures extracted from Barlow Box 60/4archives, H&C 37017/14 and, approximate acreage for Guthries and Sime Darby, in Sjovald Cunyngham-Brown, *the Traders,* (London: Newman Neame Ltd, 1971).

The success of the estate consolidation programme is very obvious from these figures. Of a total 492 European-owned estates, three Agency Houses either owned outright or had significant equity in 288 which made up over 27% of estate land in Malaysia. Commercial dominance at such levels generated power and influence across the whole industry. Ultimately, too, it was those three Agency Houses that spearheaded the large-scale replanting programme that was to follow.

The shorter maturation of the oil palm at 3-4 years alongside stable prices persuaded a large number of estates to replant in the early 1960s. MacKenzie witnessed the transformation take place first hand, often in a quite dramatic fashion. 'I have seen newly planted rubber plantations being ripped up before maturation and replanted with oil palm crops.' [553] MacKenzie's recollections are borne out in figures for the industry as rubber coverage decreased from 814 thousand hectares in 1957 to 706.7 thousand hectares by 1967. The downward trend continued apace such that, by 1973, the figure was 589.4 thousand hectares, representing a 30 per cent reduction in sixteen years.[554] However, during that period, advances in seed culture, growing techniques and pollination were introduced on all of the remaining British rubber estates. As such, despite that reduction in land coverage, rubber production more than doubled in the fifteen years that followed independence.[555] Here Corley identified a key advance for the industry due to research carried out by Guthries:

> An important contribution from Guthries was the development of Integrated Pest Management by Dr Brian Wood, from the 1960s onwards. Indiscriminate use of insecticides had led to some intractable problems, but by studying pest ecology and adapting management methods, natural biological control could be re-established. Today, insecticide use by the industry is negligible.[556]

Again, research findings by British firms were made available to all Malaysian estates through trade associations like the aforementioned Malaysian Oil Palm Growers Council (MOPGC). Thereafter, a virtuous cycle of growth, profits and investment became common in the industry. This virtuous cycle was in turn enabled in large part by a decisive move into oil palm, which we consider next.

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[553] Interview with Rod MacKenzie, 14 November 2012.

[554] Barlow, *Natural Rubber Industry,* p. 444.

[555] Barlow, *Natural Rubber Industry,* p. 444. Production of rubber per estate hectare was 580 kgs. In 1973, the figure had risen to 1,327 kgs.

[556] Email response received from Hereward Corley, 23 August 2015.

The Agency House and Oil Palm

Following independence, it was mostly business as usual for the Agency House in Malaysia. Indeed, in many respects, the conditions of trade had improved as palm oil now produced the price stability that estates had never found in rubber.[557] For Guthries Oil Palm Malaya, profits were rising steadily on the estates, as shown in Table 6.4.

Table 6.4: Guthries Oil Palm Malaya Accounts 1957-67[558]

Year	Revenue £	Profit £	Estate Acreage	Dividend %
1957	937,349	150,839	9,046	20
1958	1,087,782	126,609	12,742	15
1959	1,199,137	238,162	12,549	20
1960	1,260,338	286,848	14,150	25
1961	1,229,350	248,006	14,232	20
1962	1,241,514	229,502	15,324	20
1963	1,681,682	563,334	21,289	35
1964	1,872,292	655,155	21,186	35
1965	2,328,715	690,214	24,204	45
1966	2,295,884	655,589	26,044	40
1967	2,711,907	576,989	33,818	32

The figures reveal that, in a decade, Guthries more than trebled oil palm acreage, and profits grew four-fold. These returns saw the board award high dividends and undertake a programme of expansion. However, rubber was still the most widely grown commodity in Malaysia, and in 1960 the nation produced 35 per cent of global output.[559] Much of that came from the estates under the *de facto* control of British

[557] Refer back to Figure 5.1 to provide the evidence in support of this point.
[558] Guthrie G/OPM/16-18, figures extracted from Oil Palm Malaya (Singapore) Accounts, 1957-67.
[559] Jean-Jacques van Helten and Geoffrey Jones, 'British Business in Malaysia and Singapore since the 1970s', in R Davenport-Hines and G Jones (eds.), *British Business in Asia since 1860*, (Cambridge: CUP, 1989), p. 179.

investment groups and the Agency Houses.[560] Indeed, much as before, British investment in Malaysia dwarfed that of other former colonies and prompted the Commonwealth Relations Office to warn in 1962 that: 'the very size of our stake in this country could well be a source of embarrassment and it seems desirable to avoid stressing it in public, in Malaya at any rate.'[561]Much of that stake was held in the estates, and, as global demand for commodities recovered, British companies were encouraged to secure more land for oil palm. This suited a Malaysian regime quick to realise that its rural people benefitted greatly from British investment in the estate industry.

A cost-benefit analysis of estates in West Malaysia was conducted under the auspices of the OECD between the years 1955 and 1968 and found that the rate of return for growing oil palm was 50% higher than rubber.[562] This result was supported by Barlow, who claimed estate grown rubber generated a gross value output of M$1,987 per hectare. The corresponding figure for oil palm was M$3,204.[563] Encouraged by better returns, British estates began planting oil palm on a large scale. It quickly produced results. In 1953, Nigerian palm oil accounted for 53 per cent of global exports.[564] By 1965, Malaysia had overtaken Nigeria. In that year, Malaysia's palm oil export total of 141.5 thousand tonnes eclipsed a Nigerian total of 110 thousand tonnes.[565] Generally confirming this production shift, a Harrisons' report in 1965 revealed that Nigerian shipments of palm oil to Malaysia had now ceased.[566] To carry out regular inspections of estates, the company selected a number of proficient employees to perform the duties of Visiting Agents (VA) and Visiting Engineers (VE). The inspectorate was thereafter tasked with maintaining standards across all Harrisons'-managed estates. Mackenzie, a former VA himself, spoke about the job and the company's exclusive milling policy:

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[560] Jones, 'British Agency Houses', p. 155

[561] DO 189/219: Confidential note on the nominal value of British Capital in Malaya, c. July 1962.

[562] I M D Little and D G Tipping: *A Social Cost Benefit Analysis of the Kulai Oil Palm Estate,* (Paris: OECD, 1972), pp. 87-93.

[563] Barlow, Natural Rubber Industry, p. 398.

[564] E. Charles Leonard, Edward G Perkins and Arno Cahn (eds.), *Proceedings of the World Conference on Palm and coconut Oils for the 21st Century,* (AOCS Press, 1998), p, 20.

[565] Malaysian Department of Statistics, *Oil Palm, Cocoa, Coconut and Tea Statistics Handbook, 1984,* (Kuala Lumpur: Department of Statistics, 1984), figure extracted from tables.

[566] H&C MS37019/9, annual report to shareholders, 1969.

> The position of the Visiting Agent (and Visiting Engineer) demanded total integrity. Oil mills were built for Harrisons produce only. Quality is reflected in agricultural standards plus the quality of harvesting and handling of the crop. If you open your gates to everybody your own extraction rates go down. It is not the amount of fruit you have; it is oil extraction rates that are important.[567]

The point MacKenzie emphasised here was that estate grown oil palm fruit, to all intents and purposes, may look the same as fruit grown elsewhere, however oil yield can vary dramatically. Fruit grown on an estate, under optimum conditions and, with inputs like fertiliser, will always yield more oil than those grown on smallholdings. The images below show MacKenzie's point about efficient estate production.

<u>Images 6.1 and 6.2: European Style Oil Palm Estates in Malaysia</u>[568]


The first image from above is an oil palm estate and reveals regularly spaced, well managed rows of trees. The second image is of the fruit bunches being harvested on those estates. Efficient planting and harvesting standards ensured maximum oil yield from fruit grown on British estates. The Harrisons inspectorate was acknowledged as an unrivalled success and had a positive knock-on effect for oil production on all estates. While the Harrisons' inspectorate system was viewed as the benchmark of excellence by the industry, the company's exclusive milling policy was not duplicated. Unilever's PAMOL believed it was economically, politically and socially prudent to accept palm fruit from neighbouring estates and smallholders. Moreover, milling was an area in which PAMOL could call upon the extensive research carried out by Unilever in Africa, as Corley recalled:

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[567] Interview with Rod Mackenzie, 14 November 2012.
[568] Images taken from Google showing Oil Palm Estate from above and of harvesting of fruit on the ground.

> Another important Unilever contribution was in palm oil extraction. They had done extensive research on palm oil extraction in the Congo, and the basic mill design and operation today is little changed from that developed by Unilever more than half a century ago.[569]

Davidson confirmed that companies had different strengths when he stated that 'Harrisons had the edge as regards husbandry; we [Unilever] were leaders in the 1950s, when it came to milling because of our experience in the Belgian Congo.'[570]The Malaysian estates always cooperated on a range of matters, and, in 1964, the Oil Palm Genetics Laboratory was formed to coordinate research efforts. Results were thereafter dispersed across the industry through the MOPGC. While the estate industry appeared to be going from strength to strength, however, in other business sectors, Harrisons stood apart from the other Malaysian Agency Houses. It is therefore again useful to examine Harrisons' business strategy to flesh out some of those crucial differences.

Despite the company's lengthy and colourful history in the estate industry of South East Asia, Harrisons retained cherished shareholder status longer than most. Directed from London, the 'Three Sister' companies progressed with expansion plans in the estates. In 1959, Pataling added a further 28,000 acres of land by purchasing the Carey Island rubber estate of Jugra, Land & Carey. About 10,000 acres was immediately cleared and replanted with oil palm. Golden Hope also expanded and in 1962, the Straits Plantation Ltd was bought which added another 6,000 acres of oil palm to holdings. An existing 15,500 acres of coconut was also replanted with oil palm. Furthermore, in 1961, the London Sumatra group with 130,000 acres of rubber had embarked on a programme of rapid conversion to oil palm.[571] The expansion in 'Three Sisters' holdings not only demonstrated the ambitions of Harrisons in Malaysia, but revealed a clear move into oil palm. Furthermore, shareholder status allowed the board to promote and profit from a suite of estate services. Evidence of this appeared in minutes of a board meeting in 1962, when it was announced that a new management and agency contract had been

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[569] Email response received from Hereward Corley, 23 August 2015.
[570] Interview with Leslie Davidson, 4 December 2012.
[571] H&C MS37795: notes on the Purchase of Jugra Land & Carey Ltd, 1959/60 and MS37723, Golden Hope Plantations Ltd, Prang Besar Rubber Estate Ltd, MS37021, London Sumatra Company Ltd, estate holdings.

secured with the Glengowie Rubber Company Ltd.[572] For managing estates, Harrisons received generous commissions which were frequently ploughed back into those clients through share purchases. As such, the company was still using the money of others to grow business. The strategy brought great influence, the extent of which was revealed in 1959 when it was reported that a director, F W Harper, sat on the board of ten secretariat companies and was chairman of seven of them.[573] Moreover, in 1960, three other Harrisons' directors held 18, 12 and 11 additional directorships in estate firms respectively.[574] Harrisons' men were spread far and wide in boardrooms across London which helped to construct an intricate web of corporate power. Those cross-holdings prompted one employee to remark ironically that 'it is so complicated that even we do not fully understand what we are doing.'[575] From that position of power, though, Harrisons' management, alongside the leaders of other Agency Houses, were able to largely direct the Malaysian estate industry.

In 1960, the Indian economist, lawyer and founding member of the Peoples' Action Party in Singapore, James Puthucheary, posed a question: 'Who controls the Malaysian private sector?' The author's own response was, that British Agency Houses 'control not only the commanding heights of the Malayan economy, but also much of the plains'. He argued that just eleven Agency Houses managed over 300 of the European-owned estates in Malaysia.[576] Referring back to the figures in Table 6.3, it would seem that Puthucheary was a little conservative as, according to company archives, the three featured Agency Houses exercised *de facto* control over 288 of the European estates at that time. That British business strength was instrumental in attracting significant investment. Between 1955 and 1964, the post-tax returns for investments in Malaysia averaged 19.8 per cent. That placed the nation second only to West Germany as the most profitable destination for British

[572] H&C MS37021, Minutes of Board Meeting, 12 April 1962
[573] H&C MS37020, Minutes of Meeting of the Estates Committee, 2 March 1959.
[574] Jones, 'British Agency Houses', p. 311.
[575] Quote extracted from *Financial Times*, 24 January 1978.
[576] James Joseph Puthucheary, *Ownership and Control in the Malayan Economy: A study of the structure of ownership and control, and its effects on the development of secondary industries and economic growth in Malaya and Singapore,* (Singapore: Donald Moore, 1960), p. xiv & p. 46. The author wrote this book when detained by British authorities in Changi Prison (he was accused of assisting the MNLA to carry out attacks on authorities). In the book he posed a question, 'Who owns the productive wealth of the country?' p. 46.

capital.[577] As a direct result, Harrisons and Guthries were established fixtures on the FTSE. Certainly, in terms of overall Agency House assets, the only real difference lay in Harrisons' reluctance to acquire estates outright. The Barlow family business was in a similarly strong position to Harrisons overall and was managed by a London secretariat. Guthries, likewise, was now owned by the Anderson family through the Guthrie & Co secretariat. Harrisons though remained a salaried, director-run company with a dispersed and public share register. These corporate governance arrangements would help Harrisons survive in later years.

Business Mergers and the Agency House

The Barlow business was, as noted earlier, headed by two brothers, Thomas and John Barlow. The secretariat, Thomas Barlow & Brother, also provided management services to a number of estate operators quoted on the LSE. Like Harrisons, the estates Barlow managed fell under ever greater Barlow shareholder control, supported by a financial web of cross-holdings. Furthermore, the Highlands & Lowlands group of estates was greatly enlarged. Henry Barlow explained how business was split between the brothers:

> My father [Thomas Barlow] and uncle [Sir John Barlow] could not agree to expand the smaller companies as my father wished. Shareholdings between the two [brothers] was such that my uncle had no effective veto over my father as far as [the] Highlands Group was concerned. Moreover, the Highlands Group owned huge areas of land with development potential in the Klang Valley [land around Kuala Lumpur].[578]

Clearly, differences existed between the brothers about business direction, and, as a result, the corporate status of the independently listed estates remained unchanged. However, Thomas Barlow held sway in the Highlands & Lowlands group and appeared to be the more dynamic of the two brothers. This was an interesting aspect within the family that would re-emerge in later years. For the time being, the brothers agreed to merge the remaining merchandising business with Boustead Holdings Berhad in 1963. Boustead, another British Agency House, was dual listed on the Kuala Lumpur and Singapore stock exchanges, but not in London. The business tie-up was revisited in 1965, when estate management was also merged to

[577] White, British Business in Post-Colonial Malaysia, p. 7.
[578] Interview with Henry Barlow, 6 August 2013, and email response to first draft of thesis, dated 18 June 2015.

create a holding to rival the big two Agency Houses. Barlow Boustead Estates Agency Sendirian Berhad (Barbeal) pulled together 120,000 acres of rubber and oil palm under one company roof, although actual ownership remained with the family.[579] The mergers were something of a marriage of convenience as, Boustead, proficient in trading, complemented Barlow's proven track record in estate management. Moreover, the family appeared happy with a controlling 75 per cent stake in Barbeal. Little did the brothers suspect then that by merging the estates to a Malaysian (and Singapore) listed firm, would render the whole business vulnerable. This development is covered in Chapter 7.

Guthries was also forging ahead with a Boustead merger in the mid-1960s. In 1964, the Guthries board approved merging shipping and travel assets in Malaysia to those of Boustead under the company name, Guthrie-Boustead Shipping Agencies Berhad. Thereafter, the board sought to rationalise existing share holdings, as explained by Gent:

> In the 1960s under the new Chairman Sir Eric Griffith-Jones by a complicated Scheme of Agreement merged all the companies within the Guthrie Agency Group so that the old shareholders all became shareholders in the Guthrie Corporation Ltd. From its inception it held a place in the FT 100 Index, around the 60th place. We did attract many UK investors.[580]

This was the share scheme that Keith Anderson had alluded to in the early 1950s.

The objective of these mergers was to protect the estates and other parts of the business from takeover. Henry Barlow confirmed that the goal was to create a 'financially impregnable spider's web' of company holdings, one which would place assets out of reach of Malaysian authorities.'[581] All Agency Houses participated in these sorts of corporate tie-ups, with the exception of Harrisons who went it alone in Malaysia. In 1962, Finlay Gilchrist succeeded Paton as the chairman of Harrisons. Gilchrist had previously worked in Malaysia and was well versed in political matters there. He immediately embarked on strengthening the corporate integrity of the firm by pulling together the subsidiaries and associate companies. The aim again was to

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579 Barlow Archives, Box 73/1, letter to shareholders dated 29 June 1967.
580 Interview with Marcus Gent, 11 July 2014.
581 Interview with Henry Barlow, 6 August 2013.

make it difficult for predatory firms to swoop on any part of the business. Moreover, Paton still held fast to the shareholder status the company had developed over time and thereby avoided any form of boardroom challenge. For all Agency Houses, the timing of these asset rationalisation exercises were probably prompted by events in neighbouring Indonesia where Dutch assets had been confiscated with no compensation.[582]

Indonesian Expropriation vs Malaysian Indigenisation

In 1964, when the Batavia (Jakarta) offices of Harrisons applied to renew the leases for the estates in London Sumatra Plantations, the company was forced to surrender a third of its land to the Indonesian government.[583] Davidson argued that legislation which amounted to expropriation of foreign assets was responsible for destroying a once revered Indonesian plantation industry:

> Immediately prior to World War II, Indonesia had the most highly developed plantation industry in existence. By 1963… things had changed strikingly for the worse. Not only was there a very sharp drop in production per acre but also the acreage under nearly every plantation crop had declined - Palm Oil/Kernels from 1938, 275,000 tonnes to 1963, 181,000 tonnes.[584]

Business conditions thereafter plummeted when the British government attached Sabah and Sarawak to the Malaysian Federation in 1963. Soekarno, who claimed North Borneo for his nation, was outraged, and in the ensuing conflict all Harrisons' assets in Indonesia were seized.[585] Those actions contrasted with that of a Malaysian regime that saw foreign-owned oil palm estate land increase from 100,000 to 438,000 acres in the 1960s. Moreover, indigenous smallholders, many of whom were FELDA participants, also increased land holdings from 19,000 to 160,000 acres by 1969.[586] British company dominance in the estates was very obvious and growing, however a first tentative step by government was taken to reduce expatriate management numbers.

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[582] In 1961, the Indonesian government, Under Soekarno, passed the Basic Agrarian Law which strictly regulated foreign, i.e. Dutch, business asset tenure in the estates.
[583] H&C MS37271, Batavia (Jakarta) Branch, various papers from head office in London regarding secretarial and agency companies in Indonesia – details on government seizure of estate assets, 1961-6.
[584] Leslie Davidson, 'Changing Trends in the Plantation Industry', pp. 5/6.
[585] H&C MS37017/8: Chairman's Report on assets in Indonesia, extracted from 1964 accounts.
[586] Khera, *Oil Palm Industry,* p. 126.

In 1962, the Malaysian government proposed the gradual replacement of British estate managers with Malays. This may have been motivated by the events that White chose to highlight: '[British] planting companies had behaved with exceptional stupidity between 1960 and 1962'.[587] What White was referring to was the influx of British planters (estate managers) after Malaysian independence at a time when estates were diversifying into oil palm. As it turned out, the government's indigenisation policy was not particularly resisted by British firms as expatriates (and their accompanying families) were becoming very expensive. In fact, Agency Houses were proactive in this regard and had already set up training courses for local Malays. Evidence of this was revealed in minutes from Harrisons Estates Committee on 25 April 1960 when the board approved the funding of a further two agricultural scholarships at the University of Malaysia.[588] In fact, formal enforcement of the policy was not required. MacKenzie noted that 'there was no need for immigration targets to be set by authorities as the indigenisation programme was capably managed by the Rubber Growers Association.'[589] Progress was monitored by the RGA in Kuala Lumpur, and personally by Claude Fenner, the last British Chief of Police in Malaysia. Fenner was a highly respected individual and was decorated by government for his part in the Indonesian Confrontation.[590] There were exceptions to this general rule of acceptance of government policy as some directors in London viewed indigenisation a flagrant intrusion on their business. However, Fenner proved more than a match for any boardroom resistance.[591] The former Harrisons and Sime Darby estate manager, Douglas Gold recalled Fenner's overall contribution:

[587] White, British Business in Post-Colonial Malaya, p. 75.
[588] H&C MS37021, Minutes of Estates Committee meeting at Great Tower Street in London on 25 April 1960, p. 4 and interview with Brian Gray, 5 December 2012. Gray told of Harrisons sponsored training courses for Malay employees in estate management and research.
[589] Interview with Rod MacKenzie, 10 July 2015. Comment made by MacKenzie in follow-up interview in response to first draft of thesis by author.
[590] Tan Sri Sir Claude Fenner, the last British Chief of Police in Malaysia, was awarded the title by the Malaysian government in recognition of services to the nation during the Indonesian crisis. It was the Malaysian government that insisted on Fenner's appointment as the RGA's official representative in-country.
[591] Interview with Brian Gray, Douglas Gold and Richard Lindesay, 5 December 2012. These former Harrisons men recalled a social gathering in Kuala Lumpur where Fenner took one of the British Sime Darby directors to task, loudly accusing him of lying about his company's expatriate staff numbers.

> He [Fenner] negotiated with the government that planters retiring or leaving the industry [were replaced by Malaysians] at a pace which suited the government. It wasn't necessary to have a specific Malaysianisation programme.[592]

Those interviewed claimed that it was 1962 that the last British planter arrived to take up post in Malaysia. Thereafter, between 1966 and 1971, the number of expatriate estate managers fell from 791 to 339.[593] The indigenisation programme proceeded smoothly largely because it was endorsed by all parties. However, the wider subject of indigenisation did not go away and resurfaced more forcefully in the 1970s.

Over the remainder of the 1960s, the Malaysian regime seemed relatively content with a controlling British presence in the estates. On the international stage however, the strategic importance of the nation was weakening. In September 1963, the British Commissioner-General to South East Asia advised the British Prime Minister that 'our interest [in Malaysia] is not so much in the extent of our economic investments and trade as in our vested interest in world peace'.[594] The MNLA and Communism had been defeated, and therefore the State of Emergency ended in July 1960. In Britain, a general election in 1964 brought the Labour Party back to power. Thereafter, Treasury officials became more critical of overseas companies, arguing that investments abroad deprived home industry. Historian Sarah Stockwell has argued that the 'economic rationale for Malaysia was always ancillary to local and British politico-strategic considerations'.[595] This seems to have been the case here: thereafter, new British investment in Malaysia, although still substantial, did reduce somewhat. When a parliamentary secretary to the Board of Trade visited Kuala Lumpur in 1966, he was informed that British investment for the previous year, at M$28 million (£4.7 million), was less than a US figure of M$38 million (£6.3 million).[596] That said, investment in the estates and oil palm continued unabated despite a gloomy geopolitical backdrop.

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592 Interview with Douglas Gold, 5 December 2012.
593 Malay Mail, 17 October 1971. Quoted in White, British Business in Post-Colonial Malaya, p. 77.
594 CO 1030/1710, copy of letter to Macmillan, 3 September 1963. Cited in White, *British Business in Post-Colonial Malaysia,* p. 209.
595 Stockwell, 'Trade, Empire, and the Fiscal Context', p. 146.
596 White, *British Business in Post-Colonial Malaysia,* p. 184. Here White highlights a slump in British investment in Malaysia as opposed to the US and emergent Japanese investments.

It was in the early 1960s that British firms turned their attention to North Borneo. That interest was kick-started in 1960 when Unilever approved a new oil palm venture in what was then British North Borneo. A new subsidiary company, PAMOL (North Borneo) Ltd, was formed to buy an abandoned tobacco estate of around 10,300 acres in Sabah. The estate was thereafter cleared and planted with oil palm.[597] A further 10,000 acres of land was bought from the Sabah Development Company in 1964 and also planted with oil palm. In 1967, a mill was built, bringing the overall cost of the venture to £8 million. Only the Agency Houses could afford such a financial undertaking.[598] Of course, Harrisons already held logging concessions in Sabah alongside interests in a number of other commercial operations. Therefore, in 1965, Harrisons established a new oil palm estate of 4,000 acres with a milling factory.[599] For Harrisons, investment in Sabah offered economies of scope away from the Malaysian Peninsula most obviously in this case, in a downstream timber and building supply trade largely based in the UK. By the end of the decade, Harrisons managed 175 estates across Malaysia, Sumatra and North Borneo.[600] Those management contracts contributed greatly to healthy and rising group profits in the 1960s, as the figures in Table 6.5 clearly demonstrate.

Table 6.5: Harrisons Figures Extracted from Annual Accounts 1964 – 69[601]

Year	Profit £m	Share Capital £m	Share Dividend %
1964	1.736	4.87	12.5
1965	2.011	4.87	16
1966	2.014	4.87	16
1967	2.219	4.87	18
1968	2.952	4.87	18.5
1969	3.104	4.87	19.5

[597] This is the PAMOL estate in Labuk Valley mentioned earlier.
[598] Leslie Davidson, Changing Trends in the Plantation Industry: the Unilever FDC Study Group, July 1976, Appendix 1, p. 2.
[599] H&C MS37017/0, Chairman's Statement: Annual Report to Shareholders, 1966.
[600] H&C MS37071, Harrisons Report on estates: agency and management services, 4 March 1969.
[601] H&C MS37017/9-10, figures extracted from Harrisons Annual Reports to Shareholders, 1964-69.

The figures in Table 6.5 reveal that the board once again managed to raise share capital to £4.87 million by 1964, up from £2.5 million in 1963, while at the same time maintaining high dividend awards to shareholders. An investment in Harrisons would have generated returns to capital in the region of 150 per cent in just six years before taxes, an astonishing performance.[602] The company was now one of the most prominent and successful Agency Houses in the world, with consistently high profits that had placed Harrisons a favourite in the City. In terms of business diversification, at the end of the decade, the Asian operations accounted for 38% of group profits, which compared favourably to the other Agency Houses in Malaysia. Barlows also recorded impressive profits in the family's various estate interests. Furthermore, at the end of the decade, BARBEAL, the estate management company, added a profit of £218,761 to the secretariat for the year.[603] Guthries was also doing well and the oil palm estates alone posted a profit of £5 million over the course of the decade.[604] The first signs of government uneasiness regarding the scale of those British profits surfaced in 1969, however, when Harrisons was notified by that its logging concessions in Sabah would not be renewed. It was, though, a rather muted censure as the contracts were not due for renewal until 1982. That in itself revealed that government was still treading carefully where foreign investment was concerned and was also perhaps an indication that the British Agency House still held great influence within Malaysian political circles. The government's tentative approach to a perceived business-sponsored neo-colonialism was not at all well received by, most obviously, the indigenous Bumiputera.

Ethnic Inequality and the Riots

A First Malaysian Plan for the years 1966-70 was essentially an economic development roadmap that revealed government still expected a number of programmes to be funded by foreign donors. Around M$1,100 million (£179 million) of a total investment figure of M$6,610 million (£1,075 million) was expected to come from overseas, mainly from British sources.[605] The plan confirmed that Malaysian leaders still believed future growth was heavily reliant on investments made by

[602] £100 invested in 1963 would have been worth roughly £252 by 1969 without taking into account taxes.
[603] Barlows Box 66/1, BARBEAL statement of accounts 1966-69.
[604] Guthries G/OPM/16-19, cumulative total of profits in 1960s, Oil Palm Malaysia.
[605] *First Malaysia Plan, 1966-1970,* Kuala Lumpur: Government Printer, 1965.

resident British business. Again, this underscores an earlier point that, although the Malaysian government was politically liberated at independence, for the time being, real economic power and influence resided in distant London boardrooms. This was the London connection that the Malaysian historian Hua Wu Yin labelled the 'Metropolitan Bourgeoisie'.[606] Throughout the 1960s though, the Malaysian population grew while the poverty rate among indigenous and rural Malays remained stubbornly high at around 50 per cent.[607] What appeared to be the uninterrupted export of the nation's wealth to London merely exacerbated feelings of injustice among the poorer parts of Malaysian society. For the young and disenfranchised ethnic Bumiputera majority, the government's piecemeal effort to stem British business exploitation was a weakness. Matters were about to come to a head, although surprisingly the British firms were not in the firing line.

In terms of political development after independence, 'Greater Malaysia' could hardly be thought of as unified following the cobbling together of Peninsula Malaysia, Singapore, Sarawak and Sabah in 1963. Despite consistent economic growth, the trickle-down of wealth was not fast enough for the majority. Moreover, in politics, Lee Kuan Yew of Singapore, was viewed too dynamic and dangerous for politicians in Kuala Lumpur who believed economic power was being drained south.[608] Therefore, in 1965, the Malaysian parliament voted to expel Singapore from the Federation. By the end of the decade, in what remained of the country, ethnic Chinese in Malaysia made up 25 per cent of the population while the Bumiputera numbered more than 65 per cent.[609] Simmering tension was stoked by the fact that a Chinese minority owned 37 per cent of the nation's wealth. In stark contrast, the

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606 Hua Wu Yin, *Class and Communalism in Malaysia: Politics in a dependent Capitalist State,* (Zed Books, 1984), cited in White, 'British Business Groups', p. 155.
607 The population of Malaysia rose from 8.1 million in 1960 to reach 106 million in 1969, see <https://populationpyramid.net/malaysia>, (accessed, 2 May 2016). After independence, almost 90 per cent of indigenous Malays lived rurally and, despite rapid economic growth in the next decade, poverty among rural Bumiputera remained at over 50 per cent. See A H Roslan Harahap, 'Income Inequality, Poverty and Development Policy in Malaysia', paper presented at the UNESCO International Seminar on Poverty and Sustainable Development, 22-3 November 2001, pp. 3-6.
608 For a comprehensive account see W G Huff, *The Economic Growth of Singapore: Trade and Development in the Twentieth Century,* (Cambridge: CUP, 1994) and, interview with Rod MacKenzie, 10 July 2015.
609 Swee-Hock Saw, *the Population of Malaysia,* (Singapore: Photoplates Pte Ltd, 2007), p. 15. There were also around 7% indigenous Indians and the remainder made up of various tribes in North Borneo.

Bumiputera accounted for just two per cent.[610] One leading political economist made reference to this when he coined the phrase 'politics for the Malays, the economy for the Chinese'. The larger British stake of 60 per cent was, perhaps surprisingly, ignored as most of the anger became directed at ineffectual politicians. When public protest failed to change anything, the ethnic Chinese minority provided a more obvious and accessible target.[611]

Rioting broke out in Penang and Kuala Lumpur immediately following the national elections in May 1969 after the Chinese opposition parties had made significant gains. On 13 May, supporters of the Chinese Democratic Action Party and the Parti Gerakan took to the streets to celebrate, however clashes with opposing rallies saw events rapidly degenerate into violence. Subsequently, the Chinese community bore the brunt of attacks as properties and businesses were looted and/or burned with significant loss of life. Within days, the Malaysian parliament was suspended and a State of Emergency declared. When the emergency was finally lifted in February 1971, the government of Prime Minister Tunku Abdul Rahman had been replaced by a more nationalist-leaning regime. Thereafter, a Second Malaysian Plan accompanied by a New Economic Policy (NEP) was unveiled to address the concerns and rights of the Bumiputera majority. This time around, though, the British Agency House was in the firing line.

This chapter examined the immediate years that followed Malaysian independence and the impact that the new nationalist political agenda had on the resident British Agency House. Despite what was a charged global political arena, very little altered for British firms operating in Malaysia as the country's government strived to ensure that foreign investment continued to flow and particularly the estate industry on which the economy heavily relied. As a result, the Agency House business model continued to thrive and develop within a relatively open private sector. British commercial strength and influence was most apparent in the estate industry where, despite persistent market challenges to rubber, Agency Houses were

[610] J W Henderson et al., *Area Handbook for Malaysia*, (Washington: Foreign Area Studies, 1977), p. 323.
[611] Jomo Kwame Sundaram, a Question of Class: Capital, the State and Uneven Development in Malaya, (Singapore: OUP, 1986), pp. 246-7.

able to expand their holdings, largely owing to the introduction of oil palm as a substitute crop for rubber. As owners and major shareholders in those estates, the Agency Houses reaped huge financial rewards throughout the 1960s. However, that comfortable relationship with Malaysian authorities deteriorated towards the end of the decade due to the export of wealth based on repatriation of rising company profits for foreign-owned firms and a persistent and rampant inequality across ethnicities. The resentment of a majority indigenous Bumiputera finally surfaced in race riots after the national elections of May 1969. Those terrible events ushered in a new economic policy designed to address inequality among the people, which in turn targeted the commercial stake of the Agency House. The next and final Malaysian chapter focuses on those deteriorating relations between national leaders and Agency House executives, and is set against the backdrop of the British government's receding interest in the former colony.

Chapter 7: Malaysia 1970 – 1989 (Economic Independence)

Introduction

This final chapter covers events in the years 1970 to 1989, a period unlike all those that had gone before as relations soured between the Malaysian authorities and the Agency House directors sat in London. The tone was set by the launch of the New Economic Policy (NEP) in 1971, which announced a radical shift in the government position to one that was intent on seizing control of the private sector and the all-important estate industry. Achieving that goal would ultimately involve removing the dominant commercial presence of the British Agency House in Malaysia. The chapter therefore opens with a look at the launch of the NEP, which was framed by the racial violence of 1969. How each British company adapted to that policy forms the basis of much of the content of this chapter, which focuses on comparing business strategy and final outcomes. The research seeks in particular to explain why one company, Harrisons, survived when others perished. Again, the thesis employs primary resources from company archives alongside public records, interspersed with the testimony of those who lived and worked both in Malaysia and London at that time. First, though, we need to examine the political fallout after the race riots in 1969, which forced the Malaysian government into radical policy reform.

To avoid a repeat of the recent violence, the new regime tackled what it viewed as the root cause by immediately addressing the rights of the indigenous Malay majority. In 1970, half of the Malaysian people lived in poverty, and the majority of those were Bumiputera. Furthermore, poverty rates in the rural regions, where most Bumiputera lived, were very much higher than in the cities.[612] Thus, when parliament reconvened in 1971, after a 2 year hiatus, the constitution was amended to recognise the special status of the Bumiputera. A Second Malaysia Plan, entitled 'A New Development Strategy', was unveiled, the first lines of which read '…greater emphasis must be placed on social integration and more equitable

[612]Abhayaratne, 'Poverty Reduction Strategies'. In 1970, 66 per cent of Bumiputera were poor; the figures for the Chinese and Indians were 27 per cent and 35 percent respectively. Incidence of poverty in rural areas was much higher. In 1970, 59 per cent of the rural population fell below the poverty line compared to 21 per cent in urban areas. As 80 per cent of Bumiputera lived rurally, the bulk of the poor were indigenous Malays.

distribution of income and opportunities for national unity and progress'.[613] Much of the new policy involved positive discrimination in favour of the Bumiputera majority. The plan was accompanied by the NEP, the contents of which announced government plans to redistribute the nation's wealth. An integral part of that strategy was the staged reduction in foreign ownership of the estates, which in turn would be achieved by restructuring the share capital of the Agency Houses. Basically, the government demanded a share of equity in Malaysian assets owned or controlled by the Agency Houses. That in itself was a major challenge as it involved taking on the boardrooms of London, not to mention the financial might of the City. However, much of the motivation behind this crusade lay in figures that revealed that, of a total M$4,678 million (£641 million) of equity holdings, 62.1 per cent was held by the British, 22.8 per cent by the Chinese and just 1.5 per cent by indigenous Malays.[614] The British were thus finally recognised as being Malaysia's biggest equity owner. Rebalancing that corporate wealth therefore required a major reduction, not only in existing British, but also in Chinese stakes. For a new regime that was under intense pressure from its people to deliver, the persistence of British company ownership of Malaysian assets in particular was clearly unsustainable.

The NEP directive, among other things, instructed foreign-owned firms to submit plans to transfer equity to Malay nationals and public agencies. Shareholding ceilings were set at 30 per cent Malay ownership, 40 per cent for other Malay nationals and just 30 per cent for overseas investors. Furthermore, companies were given a deadline of 1990 to comply.[615] An important footnote added to the directive was that share transfers be achieved through investment and business growth, not dilution of existing capital. One recalls the corresponding Nigerian NEPD which also demanded the transfer of equity to nationals but only succeeded in diluting existing UAC share capital. Nor, for that matter, was UAC afforded as much time to comply in Nigeria. In contrast, a measured approach to the British firms that dominated the private sector marked Malaysia out among peer former colonies even in the NEP, at

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[613] *The Second Malaysia Plan,* (Kuala Lumpur: Government Printer, 1971), p. 1. See http://www.pmo.gov.my/dokumenattached/RMK/RMK2.pdf>, (accessed, 3 March 2016).
[614] Figures extracted from *Second Malaysia Plan,* p. 40. Exchange rate of £1 = M$7.3.
[615] Figures extracted from *Second Malaysia Plan,* p. 41.

least to begin with. Still, although the Malaysian NEP was promoted as advisory, that was certainly not how the Agency Houses saw it, as Henry Barlow recalled:

> The whole system was entirely advisory, there was no statutory legislation but the standing of Tun Ismail in the committee at large was such that nobody would ever have dreamed of bucking the trend and saying 'well we are going to do it anyway whether you like or not'.[616]

That is an interesting comment by Barlow as, in fact, Harrisons resisted the requirements of the NEP for very much longer than any of the other Agency Houses. Of course, the ultimate goal for government was to wrestle control of national assets away from British investors and curtail the commercial power exercised by London boardrooms. As such, the NEP can be thought of as the first step down a road towards eventual economic independence for Malaysia.

Gent of Guthries recalled what he claimed then was a widely held view among Agency House executives: 'I cannot believe that any of us UK quoted companies were very willing participants. It was a very political issue and nothing much to do with oil palms!'[617] Gent's take appeared reasonably accurate, as economic independence was certainly the political objective for Malaysian leaders. However, despite this, the government was also keen to avoid derailing the transformation taking place in the estate industry. Therefore, the challenge faced by authorities was to accomplish a transfer of corporate wealth without panicking foreign investors. To ensure the task was managed efficiently and sensitively, two new public agencies were formed. The first was the Foreign Investment Committee (FIC) and the second the Capital Issues Committee (CIC). It was the latter that wielded greatest power as it was fronted by a formidable individual, Tun Ismail Mohammad Ali, second Governor of Bank Negara and brother-in-law to the future Malaysian Prime Minister.[618] From 1971, any foreign investment proposal exceeding M$1 million (£137,000) had to be approved by both agencies. Furthermore, applications were to

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[616] Interview with Henry Barlow, 6 August 2013.

[617] Interview with Marcus Gent, 11 July 2014.

[618] Some of the respondents described Tun Ismail as a skilful though unreasonable man. (Gent, Hopkinson etc.). Contrary to that, MacKenzie said he found him very fair and added Tun Ismail had tried to retain his services in the plantation industry in later years. If anything, MacKenzie argued, Tun Ismail was harder on subordinate Malays whom he thought did not come up to the mark. Interview with Rod MacKenzie, 10 July 2015. Dr Mahathir Bin Mohamad became Deputy Prime Minister in 1976 and in 1981 was elected as the nation's fourth Prime Minister, a post he held the post for the next 22 years.

be accompanied by a schedule for equity transfers. In response, Fenner and the RGA were again called upon to negotiate on behalf of the British estates. Support for the RGA in London was still strong, which gave Fenner the mandate to inform the Malaysian authorities that British firms would comply and implement equity transfers to Bumiputera or public bodies as demanded. Rather conspicuously, the RGA was not so forthcoming about the provision of 40 per cent equity to other Malay ethnic groups.[619] Despite obvious apprehension and some resistance, most Agency Houses signed up to the plan and made progress towards compliance.

Agency House Response

The Agency House boards recognised that a way to achieve the required equity transfers and generate goodwill with government was to list company assets on the KLSE. Forming a new Malaysian registered company meant that new capital could be issued to avoid dilution of overall asset value. Crucially, this would also allow the boards to ring fence assets outside of Malaysia and could then safely pursue business ventures elsewhere. It further ensured that British shareholders were not financially disadvantaged or exposed to any undue risks posed by Malaysian legislation. The strategy particularly suited Harrisons given the company's more globally dispersed business portfolio. It was a portfolio that continued to generate excellent returns, as revealed in Table 7.1.

Table 7.1: Harrisons Figures Extracted from Annual Accounts 1970-72[620]

Year	Profit £m	Share Capital £m	Share Dividend %
1970	3.526	4.87	20
1971	5.619	4.87	22.5
1972	5.912	4.87	27.5

The table shows that profits and dividends at the start of the 1970s were still rising. Those annual returns saw the reputation of Harrisons continue to strengthen in the

[619] Interview with Marcus Gent, 11 July 2014 and Tate, *RGA History,* p. 495.

[620] H&C MS37017/11-13, figures extracted from Harrisons Annual Reports to Shareholders, 1970-72.

City. More worrying, though, by 1972, half of group profits was produced by the Malaysian estates despite retention of that minority shareholder status.

In contrast, Guthries at the start of the 1970s owned a large number of estates in Malaysia. As previously indicated, those estates produced the lion's share of company revenues, there being little else business elsewhere in the world. Therefore, the company board introduced a plan to merge all land holdings and other assets in a number of new KLSE listed companies. This would enable the board to retain overall control in London yet still fulfil the requirements of the NEP. Of course, the Guthries estate interests in Malaysia were rivalled only by Barlows and Harrisons. The last papers produced by the Singapore offices, prior to Guthrie's corporate rationalisation exercise, revealed the extent of that consolidated estate holding, which is summarised in Table 7.2.

Table 7.2: Guthries Malaysian Estate Holdings and other Assets at 1970[621]

Rubber Estates	Rangoon Para	Palm Oil Agency
Beaufort Borneor	Sablas North Borneo	Twitchin
Cheviotr	Sendayan	United Sua Betong*
Kamuning	Simpang Sumatra	
Karmen	United Sua Betong	
KMS (Malay)	United Temaing	**Other Assets**
Kombok		Guthrie Estates Agency
Labu		Guthrie Industries
Lambak	**Oil Palm Estates**	Guthrie Latex
Ledan Bahru	Bukit Badak	Guthrie Processing
Linggi	Elaeis	Kamuning Tin Company
Loendoet	Hay	Renong Dredging
Malacca	Linggi*	Renong Mines
Port Dickson Lukut	Malacca*	
Rambau Jelei	Pahang	

* Rubber estates with adjoining land given over to oil palm production

The table reveals the breadth of the Guthries estate footprint in Malaysia in 1970. To rationalise holdings, furthermore, the board proposed to sub-divide the estates into six separate companies and list each on the KLSE. In addition, overall control would be retained through an LSE holding company, Guthrie Ropel (an acronym of Rubber, Oil Palm Estates Limited). Gent recalled that 'each of them [the proposed Malaysian

[621] Guthrie G/MIN/1: paper listing Guthries Malaysian Assets, 1970.

companies] was sufficiently big, it was thought, to fend off the Malaysians.'[622] Gent went on to outline the steps that were proposed by the board:

> Guthries in an agreement with the Malaysian government formulated a scheme to float its land interests in Malaysia in six equal instalments. The companies which owned these instalments were incorporated in Malaysia and the first of them was floated on the local market in the 1970s. The flotation only just succeeded.[623]

As it transpired, in the run up to the first KLSE listing, Guthries was the subject of bad press and rumours spread that the estates selected were the worst-performing. Some of those interviewed (none of whom worked for Guthries) speculated that this singled Guthries out for special treatment by government in later years.[624] Whether or not the rumours circulating about the estates were accurate, their existence might explain the subsequent lukewarm appetite for Guthrie shares shown by the Malaysians. The whole exercise did not endear Guthries to the Malaysian authorities and certainly not Tun Ismail of the CIC. Gent countered that he thought criticism levelled at Guthries was unjust and revealed what he believed was the real objective of Tun Ismail and other Malaysian officials:

> Even though he [Tun Ismail] was in cahoots with Mahathir [the Malaysian Deputy Prime Minister], we spoke to him and we obviously knew they were determined to take over the plantation companies, the British ones. They had done the tin companies already.[625]

Gent did not, though, comment on whether the first estates selected were indeed the worst performing. A point worth highlighting here, though, is that the directors of Guthries were meeting Tun Ismail on a regular basis for bilateral meetings. They were therefore not always working in tandem with the other Agency Houses or through the RGA. At the other end of the scale, and disregarding any form of cooperation with the CIC, was the chairman of Harrisons, who simply refused to meet Tun Ismail.[626]

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[622] Interview with Marcus Gent, 11 July 2014.
[623] Interview with Marcus Gent, 11 July 2014.
[624] Interviews with Henry Barlow, 6 August 2013 and Lesley Davidson, 4 December 2012. Both believed that the first estates selected by Guthries were the worst performing in the company portfolio.
[625] Interview with Marcus Gent, 11 July 2014.
[626] The claim was made by Gent and Barlow about the management of Harrisons (both were involved in negotiations with authorities throughout the 1970s). Indeed the Harrisons archives reveal that the board did not enter into formal discussions with Tun Ismail until the early 1980s.

That unwillingness to engage with Malaysian authorities was reflective of the business ethos held by successive chairmen of Harrisons, Sir Finlay Gilchrist and then Tom Prentice, who took over the reins in 1973. Prentice, also a Scotsman, had like Gilchrist spent much of his working life in Malaysia. He therefore possessed a thorough understanding of Malaysian culture. However, the new and more forceful approach by authorities was still rather unexpected given what had gone before. In response, the board of Harrisons accelerated plans to redeploy business elsewhere and protect commercial assets both inside and outside of Malaysia. It is in this area that the directors of Harrisons, yet again, displayed foresight and an undoubted corporate proficiency when compared to those similarly affected Agency Houses.

As noted previously, Harrisons already had an interest in the chemical industry that included most prominently the partnership with Durham Chemicals. Further investment in that industry was logical, especially now that the Malaysian estates were under threat. In 1973, Harrisons therefore acquired the chromium business of Albright & Wilson for £7.5 million and renamed it British Chrome & Chemicals. The board injected £750,000 of capital in R&D and quickly brought to market chromic oxide, a component used in the manufacture of jet engines. In short time, the company had secured 90 per cent of the global market for the compound, at which stage Harrisons expanded into North America by acquiring another chromium firm in Corpus Christi, Texas.[627] On 31 December 1975, Harrisons also acquired the entire shareholding of Neodex Ltd and added its assets to the Durham Chemical Group. In that year, British Chrome and Chemicals recorded a profit of £1.03 million, while the figure for Durham Chemicals was £1.04 million. The board was still investing in plantations, and the annual report in 1975 announced a £20 million investment in a new oil palm estate in Papua New Guinea. In that same report, the board also announced record profits for Sabah Timber of £4.2 million.[628] It was the commitment to business diversification globally, though, that marked Harrisons out from other Agency Houses and moved the company away from complete reliance on the Malaysian estates. In that respect, Harrisons was always

[627] H&C MS37189. Board papers relating to the purchase of Albright & Wilson Ltd., and renaming of the company British Chrome and Chemicals dated May to November 1973. See also MS37393 for details on Harrisons Canada and USA offices, dated December 1961.
[628] H&C MS37100/2, Annual Report, notes on Group Profits Statement, 1975.

one step ahead of the other Agency Houses. When Tun Ismail turned up the pressure on the Agency Houses, Harrisons was in a strong commercial position.

In time, directors from each of the Agency Houses were regularly summoned to meetings with Tun Ismail and asked to provide updates on progress towards equity transfers. All companies consented, apart from Harrisons, who simply refused to play ball. Gent, then chairman of Guthries in Malaysia, recalled the actions of the Harrisons leadership:

> The man who was running Harrisons was called Sir Finlay Gilchrist. But the Governor of Bank Negara [Tun Ismail] could not stand Harrisons because Harrisons would not talk to him. He [Gilchrist] would not talk to Ismail at the bank. Ismail did not like that.[629]

That stubborn refusal to engage in discussion clearly infuriated Tun Ismail of the CIC, however it was very effective and bought the Harrisons' chairman time to consider options. It was a lesson in brinkmanship of the highest order at a time when Gent and Sir Eric Griffiths-Jones, the London chairman of Guthries, were following a more gentlemanly approach. The Barlows family was in a similar position and also decided that it would be preferable to engage with authorities to ensure a business future in Malaysia. To represent the family at the negotiating table, Henry Barlow, son of Thomas, was despatched to Kuala Lumpur.

Henry Barlow arrived in country in 1970 and was immediately pitched into discussions with Tun Ismail. For Henry, the main difficulty was persuading his elderly father and uncle to surrender part of the family stake in the company. Henry Barlow offered his take on events at that time:

> When I arrived in country at the beginning of the 1970s, the Malaysians no doubt thought we will place pressure on this young whippersnapper and thereafter I spent many years trying to persuade my elderly father and uncle that they must sell.[630]

Barlow estate land in Malaysia was now 230,000 acres and was split between the Highlands and Lowlands Company and a group of smaller LSE-listed firms. All

[629] Interview with Marcus Gent, 11 July 2014. Gent made this point several times during interview and indicated that at the time he and others were somewhat surprised about Harrisons' refusal to engage with the Malaysians. He was heavily involved in discussions with the authorities on behalf of Guthries.
[630] Interview with Henry Barlow, 6 August 2013.

estates were located on mainland Malaysia.[631] After some initial resistance, the family did make concessions. In 1972, the Edinburgh Rubber Estates Ltd was sold to the Malaysian company Sharikat Permodalan Kebangsaan Berhad for M$1 million (£147,000). The accounts for 1972 also revealed that Sungei Siput Rubber Plantations Ltd was listed on the KLSE and shares made available to Malaysians.[632] Table 7.3 shows the extent of Barlow Boustead acreage and crops grown in 1971 compared to figures a decade later.

Table 7.3: Barlow Boustead Acreage and Crops, 1971 and 1981[633]

Year	Rubber	Oil Palm	Coconut	Cocoa	Cattle	Total Acreage
1971	116,528	55,916	8,428	1,637	0	182,930
1981	54,674	101,118	4,077	3,251	1,000	164,216

The table shows that although the company did sell land in the Highlands group, overall this did not represent a major loss. One additional and important point to highlight from these figures was an ongoing replanting programme. During the years 1971-1981, oil palm swapped places with rubber as the main crop grown on Barlow estates. This provides further evidence of an industry-wide move into oil palm. Thus, despite government pressure, Barlow, like other Agency Houses, was still investing heavily in estates. In fact, some of those investments were made in partnership with authorities, as Henry Barlow explained:

> We [Barlows] were regarded as honest and competent, so much so that the Federal government insisted, as a condition for helping state governments open up land for oil palm, that Barbeal be appointed agents to do the initial planning and planting. We managed several schemes in Kelantan, Trengganu and Johor, as well as one for Tabung Haji in Penang. The other Agency Houses had minimal business of this nature.[634]

It would appear that Barlows' compliance with the NEP requirements was looked upon favourably by Malaysian authorities. It did not, however, pay off in the end, as we shall see later in this chapter, not least because Henry Barlow revealed in interview that he always suspected the Malaysians were resorting to somewhat

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[631] Barlows Box 68, papers showing breakdown of estate acreage in family holdings in 1971.
[632] Barlows Box 73/1, the archive papers use an exchange rate of M$6.80 = £1.
[633] Barlows Box 68. Figures extracted from company holding reports.
[634] Interview with Henry Barlow, 6 August 2013.

nefarious practices that included phone tapping to listen into his conversations with senior family members in the UK.[635] Before looking more closely at the Barlows business, however, it is worth touching on the fate of two smaller British Agency Houses in Malaysia to demonstrate the extent that authorities were now prepared to go to in order to seize control of the estates. It also provides some context for the subsequent demise of the British Agency House in Malaysia.

The first of these smaller Agency Houses was Sime Darby. Dennis Pinder became chairman of the company in 1967 and, in seven years, managed to multiply group profits ten-fold.[636] Henry Barlow recalled Sime Darby and the business philosophy of Pinder himself: 'Sime Darby in the late 60s and early 70s was headed by a man called Pinder who was a very aggressive and basically very successful businessman.'[637] By the early 1970s, Pinder had the Highlands & Lowlands estates in his sights. However, an offer never materialised. Henry Barlow explained why:

> He [Pinder] was clearly preparing to make a bid for Highlands and Lowlands in the early 70s, and I reckon was within 2 weeks of launching his bid when he was arrested on grounds of having his fingers in the pension fund. When removed from his position as chairman this provided an opportunity for the Malaysians to come in and come in they did. They used their, by then, very substantial shareholding to block re-election of certain key expatriate executive directors. Immediately after that Tun Tan Sui Sin was nominated by the Malaysian government as the first Chairman. That was, equal with Guthries Dawn Raid [covered later in this chapter], the most obvious example of aggressive and in this case, opportunistic behaviour by the Malaysian government to establish control over a key Malaysian plantation operation.[638]

The personal failings of Pinder proved to be the company's undoing as it moved matters directly into the hands of Tun Ismail. The subsequent takeover of Sime Darby presented the Malaysians with their first formerly British Agency House. In 1975, Boustead Holdings Berhad, a company listed on the KLSE, split Malaysian assets from those elsewhere and within a year became the next Agency House to fall to Tun Ismail. Of course, Boustead was a business partner of Barlows in Barbeal and now 25 per cent of those shares were in Malaysian hands. Tun Ismail was

[635] Interview with Henry Barlow, 6 August 2013.
[636] Lim Mah Hui, Ownership and Control of the One Hundred Largest Corporations in Malaysia, (Kuala Lumpur: OUP, 1981), p. 98.
[637] Interview with Henry Barlow, 6 August 2013.
[638] Interview with Henry Barlow, 6 August 2013.

closing in on Barlows. While all of this was going on in Malaysia, Finlay Gilchrist of Harrisons was devising a plan in London to protect the company's overall integrity.

Harrisons - from Shareholder to Estate Owner

The fundamental difficulty faced by Harrisons was similar of all LSE-listed companies with assets in Malaysia at that time: that of securing the integrity of the wider business while fulfilling the demands of the NEP. In 1973, the Harrisons board successfully fought off a hostile takeover bid by the Rothschild Investment Trust. To protect against subsequent bids, Prentice devised a plan to protect assets outside of Malaysia and ring-fence the Malaysian estates: he proposed merging all of them into the 'Three Sisters' groups. Thereafter, a new company would be formed and listed on the KLSE to enable those NEP equity transfers. Company regulations required that at least 75 per cent of the share register in each of the 'Three Sisters' companies must vote with the board. It was here that the limitations of Harrisons' minority shareholder status became apparent.

Over 75 per cent of shareholders in Pataling and London Asiatic voted with the board, however only 73 per cent did so at the Golden Hope EGM in January 1977. Genting Highlands Hotel Berhad, a Malaysian company that held 22.4 per cent of Golden Hope shares, voted against the resolution arguing that the 'scheme did not go far enough in its measures for Malaysianisation of the companies'.[639] As it turned out, Prentice had anticipated this and had a back-up plan. A new motion required that just 50 per cent of share equity across all three companies vote with the board. Thus the 'Three Sisters' became Harrisons Malaysian Estates Ltd (HME), a new UK registered company.[640] It was a crowning success for Prentice who firmly believed that merging the Malaysian estates would serve best the interests of a predominantly British share register.[641] On completion, the chairman presented an ivory chess set to its bankers, Baring Brothers, stating that 'what we needed was a

[639] *The Straits Times,* 'Genting Board to discuss next move to block Merger', dated 9 February 1977.
[640] Information extracted from various papers in H&C Archives and Eng Kee Goh, 'Three Sisters in new Merger Plan', *Business Times,* 13 January 1977.
[641] H&C MS37394, Tom Prentice letter dated November 1977, part of a papers collated by Guy Nickalls for *Great Enterprise, a History of Harrisons & Crosfield,* (1990).

chess player and a street fighter – I was the street fighter'.[642] Harrisons was now able to secure a majority holding in HME rather than the minority holdings in each of the 'Three Sisters' companies. Thus, in 1977, a century after the company first invested in the Malaysian estates, Harrisons finally took on the mantle of ownership. Furthermore, all other global assets were now out of reach of the Malaysians. It was a corporate goal that the boards of Guthries and Barlows were unable to achieve.

Unfortunately for Prentice, however, the story did not end there. His next move to transfer the entire share capital of HME to a new KLSE holding company, Harrisons Malaysian Estates (holdings) Ltd., was blocked by the Malaysian government. Authorities argued that the transfer of so many estate assets to a single company listed on the KLSE would only serve to consolidate the foreign stake in the industry. The Malaysians were justified in this claim as the Harrisons board proposed making available just ten per cent of equity in the new company to Malaysian investors.[643] With no fall-back plan this time, Harrisons was finally forced to the negotiating table and a waiting Tun Ismail. Unsurprisingly, initial discussions did not go well, and matters degenerated into a fractious discourse that lasted five long years. The delay again, though, suited Harrisons more as it provided the board with time to pursue further redeployment and diversification plans. Looking back at events, in many ways one is forced to admire the guile of successive Harrisons' chairmen, particularly when it was clear that Tun Ismail was bent on seizing control of its estates. The actions taken by each of the Harrisons chairmen, though, most probably ensured the company's survival in later years.

Despite corporate challenges, it is again important to highlight that the Agency Houses were still investing in oil palm planting and research and in the wider estate industry in Malaysia. Indeed, rubber enjoyed a global resurgence in the 1970s due to the superior properties of latex in the manufacture of medical products like

[642] H&C MS37608, paper on Harrisons restructuring of Malaysian Estate Holdings, July 1977.
[643] Interview with Marcus Gent, 11 July 2014. Gent made this claim when discussing why the HME schemed collapsed and some board minutes in Harrisons archives (see H&C MS37697) do indicate that 10 per cent was to be the opening offer which would have been equivalent to the value of a 30 per cent holding in each of the 'Three Sisters' companies.

condoms and surgery gloves.[644] Indeed, rubber production rose in Malaysia, despite an overall reduction in acreage due to the introduction of oil palm.[645] Global prices for rubber also improved. Indeed, in 1973, the commodity was fetching double that of the previous year.[646] With significant interests in both rubber and palm oil, Agency House profits continued to climb. Some profits went into research which delivered major advances on the estates, some of them transformational. One of the most important was delivered by that British-sponsored research in palm oil.

The Million Dollar Bug

Throughout the 1970s, British estate operators made a number of breakthroughs which significantly boosted yields of palm oil. One particular innovation in relation to pollination did more than any other to advance the industry and, again, the value of Unilever research in Africa was at the fore. All estate operators in Malaysia to that point had been wrestling with a fruit pollination problem, a task carried out by hand every three days. Davidson provided some detail on what was then an onerous and labour-intensive task:

> Previously workers walked along rows every day with rubber puffers to blow pollen to the receptive female flowers. Workers went out to collect more pollen, stored them in a freezer, and laboratory workers checked samples through a microscope for viability. They mixed pollen with talcum. It meant a higher yield if the bunches were formed properly achieving a better fruit set.[647]

In fact, the PAMOL estate in Sabah employed a vast number of workers to carry out that single task.[648] It was a job that became more difficult as trees grew taller. Industry figures revealed that, at 1980 prices, labour costs were on average M$150 (£40) per hectare just to pollinate oil palm manually.[649] This was a massive outlay and a sub-industry that swelled overall production costs considerably.

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644 Interview with Leslie Davidson, 4 December 2012. Here Davidson argued that natural rubber industry was largely saved by global demand for these products.

645 Barlow, *Natural Rubber Industry,* p.444: Although estate grown rubber acreage had fallen from over 800 thousand hectares in the 1950s to just 590 thousand hectares by 1973, smallholders more than made up for that loss peaking at well over a million hectares.

646 Barlow, *Natural Rubber Industry,* p. 441. The Average monthly price for natural rubber per kg in 1972 was 104.8 cents versus 191.3 cents the following year.

647 Interview with Leslie Davidson, 4 December 2012.

648 Leslie Davidson, 'the Development of the Malaysian Oil Palm Industry: Unilever's Contribution', *Tropical Growers Association paper,* January 2003, p. 3

649 Tate, *RGA History,* p. 595.

In the early 1970s, Davidson proposed a solution; perhaps an insect could pollinate palm fruit. His idea was based on personal observations at the N'dian oil palm estate in the Cameroons where Davidson witnessed flies swarming around oil palm inflorescences. He later recounted:

> I spoke to Dr Greathead, the head of the CIBC [Commonwealth Institute for Biological Control], in London. With his backing I got Unilever to again fund the necessary research. CIBC despatched their scientist, Dr Rahman Syed, to Unilever's plantations in West Africa. He very swiftly confirmed that the oil palm in its natural habitat was insect pollinated.[650]

After initial resistance, research was eventually commissioned on Unilever estates in West Africa.[651] Although all estate operators stood to benefit from Unilever research once more, this time around, the industry had very little choice as events unfolded. In tests, entomologist Dr Syed identified a particular type of weevil as a potential pollinator and, in 1980, the insect was transferred to the Royal Botanical Gardens in Kew to undergo trials.[652] In March the following year, *Elaeidobius Kamerunicus* was introduced to Unilever's Malaysian estates whereupon the insect spread like wildfire. Within a year, every oil palm tree in Malaysia was infested. MacKenzie, who was then a Visiting Agent for Harrisons, claimed it was riskier than some claimed as he believed the weevil was released in Malaysia earlier than advertised.[653] This was refuted by Davidson and indeed, the source of MacKenzie's claim may lie in an early release of the insect in Kuala Lumpur, the details of which were revealed in a book on the history of the RGA:

> Incidentally, a premature release in 1981 of weevils into the Lake Gardens of Kuala Lumpur caused dismay in the Lake Club and aroused a small outcry amongst the local experts at the time.[654]

The weevils were released by the Malaysian Agriculture Department in Lake Gardens under purportedly strict conditions. The site selected was in the centre of Kuala Lumpur, and, there being no other oil palms for miles around, it was believed

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[650] Interview with Leslie Davidson, 10 July 2015. Davidson addressed this point directly in letter in response to first draft of thesis received from the author.

[651] Interview with Leslie Davidson, 4 December 2012. Davidson mentioned that he had come up against some opposition from Unilever scientists when he first volunteered his thoughts on insect pollination.

[652] Interview with Leslie Davidson, 4 December 2012.

[653] Interview with Rod MacKenzie, 14 November 2012. Mackenzie believed the weevil was released early and before official endorsement although acknowledged that yields rose dramatically as did estate profits thereafter.

[654] Tate, *RGA History,* p. 595.

that the insect could not spread. Davidson did argue that 'rumours spread among some of the planting fraternity who knew very little of what was going on, [and of the conditions] that they had been prematurely released.'[655]

In any event, the release of the weevil was a major success as subsequent oil yields were remarkable. Palm oil production increased by 12 per cent in the first year and continued to rise in subsequent years.[656] In 2001, the Malaysian Minister of Primary Industries recognised the weevil's contribution when stating that:

> The effect of the introduction of the weevil had been to increase Malaysia's output of palm oil in 1989 by approximately 400 million tonnes of palm oil and 300,000 tonnes of palm kernel oil per annum.[657]

Labour savings on the estates were immediate and Kang Siew Ming, a Malaysian scientist involved in the scheme, commented that:

> The combined industry savings ran to hundreds of millions [of Malaysian Ringgit] each year, through the dispensation of hand pollination and the gain from increase in yield as the result of more compact fruit bunch formation'.[658]

The RGA estimated that removing the requirement of around 25,000 workers to carry out manual pollination saved the industry something like M$15 million (£3.1 million).[659] The weevil thereafter was feted as the 'Million Dollar Bug'. In 1990, Leslie Davidson and Dr. Syed were awarded the title of Datuk (akin to a British knighthood), and, in 2008, Davidson was presented with the Merkeda Award for services to the palm oil industry, one of the highest honours in Malaysian society.[660] As of 2016, Davidson was one of only three Europeans to have received that award.

This is just one outstanding example of the many advances made by British firms around the world in the field of tropical agriculture. Of course, while the prime

[655] Interview with Leslie Davidson, 10 July 2015. Davidson also addressed this point directly in response to first draft of thesis.
[656] Leslie Davidson, *Management for Efficient Cost-effective & Productive Oil Palm Plantations,* Keynote Speech for International Conference on Palm Oil, Kuala Lumpur, August 1991, p. 9.
[657] Dr Lim Keng Yaik, address to the 1991 PORIM International Palm Oil Conference, Kuala Lumpur, 9-14 September 1991. Comments extracted from paper 'Development of the Malaysian Oil Palm Industry: Unilever's Contribution'.
[658] Kang Siew Ming, 'The Elaeidobius kemerunicus Story', *The Planter,* Vol 75, No 876, March 1999, p. 150.
[659] Tate, *RGA History,* p. 595, (1980 prices).
[660] Interview with Leslie Davidson, 4 December 2012. Datuk is a Malay honorific title since 1965, Merkeda Award, see <http://www.merdekaaward.my/Recipients/By-Year/2008.aspx>, (accessed, 25 August 2015).

motivation for research was essentially profit, these findings have since been bequeathed to nations that once played host to British companies. It is therefore reasonable to argue that, without that British capital, research and people, the Malaysian palm oil industry would not be in the position of strength it is today. For some former British planters, it is a source of disappointment that advances of this sort were never adopted in Nigeria, home of the oil palm. In any event, this chapter now turns to rising tensions between Agency Houses and the authorities, and also renewed calls for the indigenisation of higher management posts in all resident British companies.

The Agency Houses go it alone

As issues surrounding equity transfers rumbled on, the Harrisons board used the time available to address other aspects of business including the indigenisation of key posts in Malaysia. In keeping with the spirit of Fenner and the RGA, by 1975 a number of Harrisons estates were headed by Malays as were four oil palm mills.[661] Moreover, in a rare and conciliatory nod to government pressure, the Harrisons board promoted the nephew of the nation's first Prime Minister. At the company AGM in 1978, Tunku Mansoor Yaacob was unveiled as the new chairman in Kuala Lumpur. Harrisons was not alone in pursuing the indigenisation of posts as each Agency House looked to appoint Malays to key positions in-country. Despite that effort, a 1975 study found that 67 per cent of directors in Malaysia's top 100 companies were non-Malay and 30 per cent were still British.[662] Moreover, in London, there were no Malays sat in the Agency House boardrooms. It was a state of affairs that was subject to occasional questions. At the Harrisons AGM in 1979, for instance, the chairman was asked by one shareholder to explain 'why are there no Malaysian nationals on the board of Harrisons?' Prentice sidestepped the question by responding that 'there is 146 years of experience in South East Asia business sat around the table and maybe in time there will be a Malaysian sat as a full board member.'[663] One wonders if any of those present actually thought that could happen as it was not in the company's interests to have Malay nationals on the

[661] H&C MS37038, chairman's report, 1976.
[662] White, British Business in Post-Colonial Malaysia, p. 2.
[663] H&C MS37017/15, chairman's Q&A at AGM June 1979. Question posed by a Mr. Taylor q 1979 AGM

board given the global diversification effort taking place at that time. Therefore, the board of Harrisons in London remained resolutely British and indigenisation was reserved for positions overseas.

The question of Malay representation at the highest levels and Prentice's somewhat evasive response did, though, point to a growing rift between London and management in Malaysia. It would appear that the London boards now believed that perhaps a business future lay elsewhere given the drive of Malaysian authorities to gain control of the estates. Therefore, in that respect, the Harrisons board's reading of events and subsequent actions was spot on. Differences in strategy pursued by individual Agency Houses was now more obvious as the collective defence of British interests in Malaysia began to fragment. As a result, the mediating prowess of Claude Fenner and the RGA was under-utilised. Fenner himself voiced frustration at the slow and inconsistent progress made by British firms in Malaysia. Henry Barlow recalled that Fenner despaired 'his efforts were being undermined by the failure of the British company community to pull together'.[664] In many ways, Fenner's despondency reflected a shifting mind-set in London to that of business survival. British commercial strength in Malaysia was always at its most potent when companies worked as one through organisations like the RGA and MOPGC. The fact that the Agency Houses now chose to go their own way was symptomatic of a disjointed and, at times, dispirited British company presence in Malaysia. Henry Barlow confirmed this point when commenting on a claim that some of the London directors were dragging their feet:

> I suppose towards the end of the 1970s they [Malaysian authorities] became aware that some companies were moving faster than others and needed a little bit of encouragement'.[665]

Of course, Harrisons was certainly dragging its corporate feet given the board's previous point blank refusal to negotiate with Tun Ismail.

Looking at events from a Malaysian standpoint, the slow progress on the ground by Harrisons, one of the largest Agency Houses, must have been

[664] Interview with Henry Barlow, 6 August 2013.
[665] Interview with Henry Barlow, 6 August 2013.

exasperating. One can therefore understand the irritation of key Malaysian officials, none more so than Tun Ismail, the man tasked with ensuring NEP compliance. That task became a little less complicated when Claude Fenner, one of the last universally respected British nationals in Kuala Lumpur, died suddenly in 1978 aged just 62. After Fenner's death, Tun Ismail changed tack and decided to deal with each Agency House individually rather than work through the RGA. However, when that happened, Henry Barlow believed the estate industry suffered as a result:

> The [Malaysianisation] policy changed markedly in the 1980s when Tun Ismail was effectively in charge. The expats were strongly encouraged to leave, and many moved directly to Indonesia, thus rapidly restoring management skill and expertise which set Indonesia up as a major rival to Malaysia. It has of course now well overtaken Malaysia in planted area.[666]

Furthermore, the sluggish and piecemeal implementation of equity transfers saw matters finally come to a head and force the hand of Tun Ismail.

Back in 1974, Prentice had warned Harrisons' shareholders that 'British companies are suffering from the deteriorating relationship between the UK and the Malaysian government'.[667] A year earlier, the British government withdrew from the long-standing trade agreements that had bestowed preferential treatment on Malaysia. That move also impacted on existing trade arrangements held with the wider European community, which Britain had just joined. Therefore, attitudes towards the former power were beginning to sharpen in Kuala Lumpur. This was aptly illustrated in a *New Straits Times* article in 1974 which reported that 'the winds of change are now blowing strongly through Malaysia's primary industries'. The correspondent cautioned British companies that:

> The mid-term review of the Second Malaysia Plan [NEP] leaves little doubt that running tin mines and plantations from boardrooms in London and Singapore is no longer acceptable'.[668]

That mounting challenge to British interests was made official in a letter from the International Chamber of Commerce, which demanded that companies immediately

[666]Henry Barlow, email response to first draft of thesis by author, 18 June 2015.
[667] H&C MS37017/11, extracted from statement by chairman in Annual Accounts at AGM, 1974.
[668] Ivan Fallon, 'British firms under pressure to toe the line', *New Straits Times,* 5 November 1974.

put forward plans to transfer equity in accordance with the NEP. Henry Barlow discussed the contents of that letter with his family and advised them that:

> I consider it my duty to state unequivocally that in my judgment all signs point to the determination of government to have action and that prevarication and backsliding will not be tolerated.[669]

This was an accurate reading of what was a darkening mood in Malaysian government circles. It is worth highlighting that the Harrisons board would have received that same letter and yet, unlike the Barlow family, there appeared to be no response. Certainly, though, Harrisons was not as heavily dependent on the Malaysian estates as Barlows and Guthries. Nonetheless, the muted reaction in Harrisons' boardroom was illuminating. However, at state level, relations were being stretched to breaking point.

As the decade wore on, there was a further loosening of ties between the Malaysian government and British firms and government caused by a number of incidents. The resolve of the Malaysians was strengthened somewhat after the British election of 1979 when a new Conservative government implemented a radical cost-cutting manifesto. An early thrust in Thatcher's neo-liberal strategy was the withdrawal of subsidies granted to Commonwealth scholars attending British universities.[670] The resulting fee hikes fell disproportionately on students from nations that had always sent their brightest brains to Britain. Malaysia was one such nation. A thirty per cent hike in fees for Malay students may have been small change to a British Treasury tasked with slashing public spending, however the damage to UK interests overseas ran much deeper. Gent commented on the subsequent backlash experienced by British firms in Malaysia:

> Mrs Thatcher and Dr. Mahathir (Malaysian Prime Minister) got involved in this awful spat. [Subsequently] Britain was to come last in any contract that came up for offer. It took a long time till that rift was healed. I think the Brits [Agency Houses] then didn't stand an awful chance of getting very far with Mahathir or his Brother-in-law [Tun Ismail].[671]

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[669] Barlows Box 85, p. 3. Letter from International Chamber of Commerce, Malaysia addressed to all British companies, dated 17 January 1974.

[670] Alice Chandler, *Obligation or Opportunity: Foreign Student Policy in Six Major Receiving Countries,* (New York: Institute of International Education, 1989), pp. 1-14.

[671] Interview with Marcus Gent, 11 July 2014.

Malaysian sentiment towards the former power dipped further when, in March 1981, the new British High Commissioner at his first press conference famously declared that Britain had expended 'not only money but lives and blood on Malaysia in ensuring that this country enjoys its independence in peace and prosperity'.[672] William Bentley's choice of words was not well received and, perhaps unsurprisingly, he was replaced in 1983. Prime Minister Mahathir also complained about the decision to fly Concorde through Malaysian air space without first informing his government. He argued that it was a 'cavalier attitude' that evoked colonial times and a 'master-servant mentality'.[673] Furthermore, the ongoing reorientation of British trade towards Europe alongside some other state-level wrangles incentivised the Malaysian agencies to go after those remaining Agency Houses.

Profits posted by the Agency Houses at the end of the decade did not help their cause. Boosted by an upsurge in global palm oil demand, Harrisons recorded a profit of £52.3 million in 1978, half of which came from the estates. By the end of the 1970s, Harrisons presided over 235,000 acres of rubber estates, 110,000 acres of oil palm and a number of other estates growing coconut, cocoa, coffee and tea.[674] In 1979, Harrisons was ranked by *The Times* at 91st among all British industrial companies by turnover and at 65th in terms of pre-tax profit.[675] At the same time, Guthries reported profits of £21 million, although it is important to note that more than 90 per cent was generated by the estates division.[676] Those figures also demonstrate just how much more precarious the Guthries position was at that time. Certainly, Guthries had not made much headway in business diversification or indeed, redeployment out of Malaysia. For the Barlow family on the other hand, profits in the Barbeal estate management company alone had risen five-fold to over £1 million by the end of the decade.[677] The fact that most of these profits were exported to London did not sit well with the Malaysian government. The scene was

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[672] Roger Kershaw, 'Anglo-Malaysian relations: old versus new rules', *International Affairs,* 59 (1983), p. 640.
[673] Interview with Marcus Gent, 11 July 2014.
[674] H&C MS37017/14, annual report on accounts, 1979.
[675] The Times 1000: 1979-1980, (London, 1979).
[676] Shakila Yacob and Nicholas J. White, 'the Unfinished Business of Malaysia's Decolonisation: the Origin of the Guthrie 'Dawn Raid', *Modern Asian Studies,* 44 (2010), p. 926.
[677] Barlows Box 66, Annual account figures for Barbeal. In 1970, Barlow profits were M$1,514,610 (£204,419). In 1980, the figure was M$6,417,000 (£1,287,744).

therefore set for a final showdown between the surviving British Agency Houses and a, perhaps vindicated Malaysian state.

A major hurdle that Tun Ismail faced was gaining access to shares held by large UK-based investment trusts. Several institutions, including Scottish Widows and M&G, had accumulated large equity holdings in the Agency Houses such that by 1981, Gent estimated M&G held 16 per cent of Guthrie share capital.[678] David Hopkinson of M&G recalled the motivation for investing overseas and those Malaysian estates in particular:

> M&G were the largest UK investors in Malaysia and plantations in particular. These companies were high-yielding, registered in London on the Stock Exchange [with] no tax complications.[679]

With dividends still high, fund managers were disinclined to sell. A regular duty of the fund manager was to visit and inspect investments overseas. However in the late 1970s, Hopkinson was forced to add a somewhat unwelcome appointment to his diary when in Malaysia. Hopkinson was a guest of Henry Barlow when in Kuala Lumpur and he recalled how evenings prior to meetings with Tun Ismail were spent:

> The head of M&G used to come out on a regular basis to discuss matters with Tun Ismail and he used to come and stay with me up in the hills the night before he went to see Tun Ismail. After dinner he would stride up and down my living room saying 'what on earth am I going to say to Tun Ismail tomorrow'.[680]

If Tun Ismail was going to secure control of the estates, he needed Hopkinson and others to sell. The Agency Houses were well aware of the threat and worked hard to maintain that share register. However, fewer former 'Malaysian estate men' now sat in the boardrooms of London. Douglas Gold, another former estate manager with Harrisons and Sime Darby, made reference to this (as did others): 'They [the London staff] really were very suspicious of the Far East people. I don't think they understood [us] at all.'[681] An emerging lack of unity within and between British firms finally created opportunities for the Malaysians. Hence, Tun Ismail assessed his options and singled out the most vulnerable British Agency House for takeover.

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[678] Interview with Marcus Gent, 11 July 2014.
[679] Interview with David Hopkinson, 4 July 2014.
[680] Interview with Henry Barlow, 6 August 2013.
[681] Interview with Douglas Gold, 5 December 2012.

The Guthries Takeover: the 'Dawn Raid'

Despite mounting pressure to divest assets, Guthries had actually increased estate holdings from 175,000 acres to 194,000 acres by 1981.[682] During the decade 1971-1981, the board had, moreover, successfully faced down a number of takeover bids. Marcus Gent, who succeeded Griffith-Jones as chief executive, recalled details of a defining bid in early 1979 when Sime Darby had managed to accumulate just short of 30 per cent of share capital. Stock market rules dictated that once a takeover failed, the bidder must sell all equity held. The Sime Darby shareholding In Guthries was therefore bought by the Malaysian government's largest fund, Permodalan Nasional Berhad (PNB). The fund had been launched in March 1978 to promote indigenous share ownership and somewhat predictably, it was also headed by Tun Ismail. In the aftermath of Sime Darby's bid, Guthries sold off the Malaysian and Singapore merchandising divisions (known in company circles as 'Pots and Pans') in an effort to defend the core estates. However, the 30 per cent PNB holding was, as Gent claimed 'the albatross around our neck'.[683]

On the morning of 7 September 1981, Gent's fears were spectacularly realised. The 'Dawn Raid', as it became famously known, was a lesson in rapid share accumulation by PNB and the funds that cooperated closely with it. In just 4 hours of trading on the LSE, PNB had managed to seize a majority holding in the Guthrie Corporation. With that, one of Britain's oldest Agency Houses had fallen into Malaysian hands. The reaction in the City was one of shock. London's *Financial Times* unceremoniously dubbed the action 'back-door nationalisation'.[684] In complete contrast, the takeover was reported in Malaysia as a triumph in the ongoing struggle to own national assets. Prime Minister Mahathir hit the nail on the head when he stated that 'ex-colonial powers are very sensitive about their former colonies repossessing what is rightly theirs even though they use established commercial means to do so.'[685] To the impartial observer it would appear that the Malaysian authorities had simply played the British at their own game. Why, though,

[682] N J Funston, *Malay Politics in Malaysia: A Study of the United Malays National Organisation and Party Islam,* (Kuala Lumpur: Heinemann, 1980), p. 8.
[683] Interview with Marcus Gent, 11 July 2014.
[684] 'The sun sets on Guthrie', *Financial Times,* 8 September 1981.
[685] 'No law against buying foreign firms', *The Malaysian Business Times,* 27 Oct 81,

was Guthries singled out? Why not Harrisons, a company that had done more to antagonise the Malaysian authorities than any other British firm?

When posed that question, Henry Barlow referred back to the quality of the estates selected by the Guthrie board for a first company listing on the KLSE:

> Although Guthries was first to move and comply with the NEP by setting aside estates and transferring them to a Malaysian incorporated and quoted company, Guthrie Ropel, the government and in particular Tun Ismail realised at a fairly early stage that Guthries had transferred the least profitable of their estates to the local company. I believe it was for this reason that Tun Ismail decided that he would make an example of Guthries.[686]

Gent disputed that view, claiming that the company became an easy target largely due to his firm's cooperation with the authorities and a conciliatory approach to the NEP when others, (again notably Harrisons) were so obviously stonewalling:

> I think that [Guthries] was singled out because [we] had tried to cooperate with the Malaysian authorities up to the time of the Dawn Raid and so seemed to them to offer a softer target. There were enormous repercussions for staff. The new owners disposed of practically all of the Guthrie business outside Malaysia.[687]

Of course, the shares held by PNB in Guthries did not do the company any favours, and Gent himself acknowledged the enormity of that holding. He added that, just prior to the Sime Darby bid, the Guthrie share price rose dramatically which had a knock-on effect on the value of the estates. Many investors were therefore swayed to cash in and sell to PNB. In a desperate effort to redeploy business outside of Malaysia, the board had hastily sanctioned a number of acquisitions to make Guthries a less attractive target, however Gent surmised that:

> I think because we were successfully doing that [diversifying the business outside of Malaysia], and they [the Malaysian government] could see things were becoming slightly awkward, was why we had the 'Dawn Raid'.[688]

There is more to this outside of Gent's understandably loyal, if prejudiced, view on the takeover, however. Guthries' annual accounts consistently revealed a business that was totally dependent on the Malaysian estates for revenue if

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[686] Interview with Henry Barlow, 6 August 2013. Guthrie Ropel was a locally registered company for the intended transfer of plantation holdings. Tun Ismail was the Director of PNB at this time.

[687] Interview with Marcus Gent, 11 July 2014.

[688] Interview with Marcus Gent, 11 July 2014.

compared to the corresponding figures for Harrisons. The estates, by the early 1980s, were producing over 90 per cent of Guthries' revenue, while the figure for Harrisons, while still high, but was around 50 per cent.[689] Furthermore, the willingness of Guthries to engage with PNB at an early stage made the company vulnerable to direct and perhaps personal pressure, doubtless orchestrated by Tun Ismail. For Harrisons' part, its directors were certainly the most obdurate of the Agency Houses, and they were led by a strong chairman who refused to cooperate with the Malaysians. Prentice was frequently evasive and seemed more of a match for Tun Ismail. The company was also well advanced in plans to pursue business outside of Malaysia, while corporate control was protected by large British funds like M&G and Scottish Widows. That corporate defence was backed by an intricate web of cross-holdings and directorships. In the end, perhaps Guthries was just unlucky and suffered due to the obvious obduracy displayed by the Harrisons' board. Moreover, it was well known in Malaysia that the Agency Houses were investing outside of Malaysia so time was of the essence to Tun Ismail. For Barlows and Guthries, the global investment drive came too late in the day. Therefore, Guthries was the obvious choice for the Malaysian takeover bid. Once the takeover was concluded, Guthries' assets outside of Malaysia were hived off and sold. Gent recalled that employees in London were then made redundant.[690] The company was delisted from the LSE and transferred to the KLSE in 1984. After the 'Dawn Raid', the management of Barlows and Harrisons were under no illusions about Malaysian resolve to finally bring the curtain down on British custodianship in the estates.

Even big multinationals like Unilever acknowledged that Malaysia was intent on seizing control of the estates. In an internal paper dated 13 January 1982, the Plantations Group advised the Special Committee of that Malaysian resolve. Davidson, then chairman of the Plantations Group, wrote that:

> Our plantation interests in Malaysia are still 100 per cent Unilever owned. The recent purchases of control majority in Guthries, Barlows and Dunlop by Malaysian investors as well as information obtained from unofficial contacts with the Foreign Investment Committee (FIC) have confirmed that the

[689] Interview with Marcus Gent, 11 July 2014. H&C MS37017/16, figures extracted from Annual Report of Accounts, 1980.
[690] Interview with Marcus Gent, 11 July 2014.

> Malaysian authorities are now taking a tougher line and that Unilever must be seen to move towards substantial local participation as soon as possible.[691]

Unilever's Special Committee thereafter authorised a plan to transfer PAMOL shares to the Malaysians. The management of the Plantations Group had already put forward the equity transfer schedule shown in Table 7.4.

Table 7.4: Plantations Group Proposed Equity Transfer Schedule[692]

	1976	1980	1985	1990
Malaysian	20	38	50	70
Unilever	80	62	50	30
Equity M$ m	78	100	126	207

As the table shows, a staged transfer of equity moved ownership of the PAMOL estates into Malaysian hands by 1990. In recognition of this, the Malaysian authorities authorised the sale of a further 4,000 hectares of land on Sabah to PAMOL, again to grow oil palm.[693] The retention of a Unilever presence in the plantation industry was clearly favoured by the Malaysians, which may well have been due to that ongoing and successful research programme referred to earlier. In any case, as a subsidiary with just two estates, PAMOL was never a threat to Tun Ismail's plans when compared to Agency House holdings.

For Barlows, the method of takeover pursued by Malaysian authorities was very different to Guthries, as here Tun Ismail had only two elderly brothers to persuade that it was in their best interests to sell. On the estates, an oil palm conversion programme was well advanced, and, in 1981, acreage was double that of rubber (see figures in Table 7.3). That decisive move into oil palm significantly boosted group profits, as shown in Table 7.5.

[691] Plantations Group UPG/3/13/1/7/3 dated 13 Jan 82, p. 1.
[692] Plantations Group UPG/3/13/1/7/1, Special Committee Paper dated 28 Jul 83 on Local Participation.
[693] Plantations Group UPG/3/13/1/7/3 dated 13 Jan 82, p. 1.

Table 7.5: Thomas Barlow & Brother - Profits and Dividends 1970-1981[694]

Year Ending	Profit £	Gross Dividends £	Directors Emoluments £
1971	210,522	82,191	45,908
1972	224,869	82,191	63,313
1973	369,906	100,000	82,874
1974	552,848	300,000	106,559
1975	625,851	100,000	76,011
1976	602,619	160,000	147,297
1977	713,219	160,000	175,750
1978	621,688	214,375	214,375
1979	851,000	278,667	Unknown

The figures reveal that, in a decade, profits quadrupled and dividends paid to the family secretariat trebled. Emoluments paid to family members were also very much higher. The merger with Boustead to form Barbeal left the family with a 75 per cent holding in the estate management business. That holding was split between the two elder brothers, Thomas Barlow and Sir John Barlow, and three offspring, Henry, John and Mark (Henry was Thomas's son; John and Mark were Sir John's). The Barlow family was perhaps viewed a soft target by Tun Ismail. As such, Henry Barlow based in Kuala Lumpur was subjected to intense pressure to persuade his family to sell. In fact, Henry Barlow summarised his position thus: 'My job in the early 70s was to persuade my reluctant family to agree to comply with the Malaysian New Economic Policy'.[695] In the late 1970s, agreement was reached for the family to sell a 30 per cent holding in Barbeal. That 30 per cent was then split between the government agencies FELDA, Tabong Haji and Tabong Tentera. Henry Barlow explained what happened next:

> We then woke up one morning to find that surreptitiously the Boustead side [the other 25 per cent of Barbeal from the earlier merger] had also sold out to

[694] Barlows Box 66. Figures extracted from Annual Reports on Accounts, 1971-79.
[695] Email from Henry Barlow dated 2 November 2012.

> roughly the same Malay interests. Thus Barbeal was Malay controlled and the family shareholding reduced to just under 25 per cent.[696]

With the benefit of hindsight, it would appear that events were being orchestrated by Tun Ismail as he had clearly secured the Boustead holding in Barbeal in advance of the agreement with Barlows. If the Barlow family had known that, then it is doubtful they would have agreed to the subsequent share transfer. That said, it is difficult to see what the family could have done in the long term as it was obvious that the Malaysians were working in concert, and Tun Ismail was pulling all of the strings.

In the fallout, the Highlands and Lowlands estates were rolled into Guthrie Ropel leaving the smaller estate firms bound together by a series of cross holdings in London. Henry Barlow described the disposal of the family estate business thus:

> The smaller companies were amalgamated by a scheme of rearrangement in London, eliminating cross holdings, and the estates where then transferred to a Malaysian Company in which PNB and the Kuok Group [local Trading Company] took a majority interest.'[697]

The Kuok Group then sold its shares to PNB. With control of estate management gone, the Barlow family had little choice but to sell its remaining shares to Lembaga Tabung Angkatan Tentera and FELDA for M$30,810,000 (£5,135,000) on 30 June 1982.[698] That brought down the curtain on 150 years of a family presence in the estates of Malaysia. The final accounts for Barlows are revealed in Table 7.6.

Table 7.6: Thomas Barlow & Brother - Final Accounts 1980-81[699]

Year Ending	Profit £	Gross Dividends £
1980	641,700	2,572,000 (50%)
1981	620,100	2,572,000 (50%)

The Barlow name was then written out of the Malaysian estate industry altogether as part of an agreement that ensured the name would not be used in any aspect of

[696]Email by Henry Barlow dated 2 November 2012.
[697]Email by Henry Barlow dated 2 November 2012.
[698] Barlows Box 76/2, paper outlining conditions of sale and 'Statement on sale of estates', 1982.
[699] Barlows Box 66. Figures extracted from Annual Statement of Accounts, 1980-81.

estate management thereafter.[700] The *Malaysian Business Times* headline on 25 May 1982 announced the 'End of Era for Barlow Family'.[701] Henry Barlow offered an appraisal of what was an unceremonious exit from the Malaysian estate industry:

> The fundamental weakness of the Barlow business was that my father and uncle failed, until it was too late, to realise that in a developing country, political considerations are fundamental and will always prevail over the pure economics of creating a financially impregnable spider's web. A disastrously mismanaged foray into Nigeria in the late 50s made my father and uncle deeply reluctant to agree to investment elsewhere. So unlike H&C [Harrisons], we had no alternative business to fall back on.[702]

Thus, even Henry Barlow acknowledged the effectiveness in Harrisons' strategy to progressively pursue 'alternative business' outside of Malaysia. The big question is why the other Agency Houses did not do the same? For Barlows, there may have been an element of fear or reluctance due to an earlier costly failure in Nigeria in the early 1950s. The investment made in a rubber trading venture at Port Harcourt, according to Henry Barlow, was a disaster because the family 'failed entirely to adequately supervise the show'. He believed that, as a result of the 'Nigerian fiasco, my father and uncle were so ashamed that I think they destroyed all the [business] records'. He thinks the losses were somewhere in the region of '£50,000-£120,000 over five or six years'.[703] As for Guthries, any papers that may have revealed diversification effort have been lost along with the vast majority of the company's archives. However, Henry Barlow did mention that he was travelling to Liberia in his role for Sime Darby to assess rehabilitation work on rubber estates. It transpired that those estates were previously owned by Guthries and had fallen inactive during the civil war. Of course, both ventures were in West Africa where, as the Nigerian chapters recounted, attitudes to agriculture were problematic. Those ventures aside, however, neither company made a significant effort to diversify or redeploy business away from Malaysia and therefore became evermore dependent on the estate industry there for revenue.

[700]Barlows Box 76/2, paper outlining conditions of sale and 'Statement on sale of estates', 1982.
[701]*Malaysian Business Times,* Newspaper Article held in Barlow Archives, Box 76/2.
[702] Interview with Henry Barlow, 6 August 2013, and email response to first draft of thesis, dated 18 June 2015.
[703] Interview with Henry Barlow, 6 August 2013.

In the aftermath, the Barlow family used proceeds from the estate sales to form an investment trust, Majedie Investments plc, and Henry Barlow acted as chairman from 2000-2010. Henry Barlow himself continued to work in the estate industry in Malaysia as director of Guthrie Ropel and Golden Hope. He remains a resident and citizen of Malaysia and was, in 2008, invited to join the board of Sime Darby, a position he still occupies at the time of writing.

The surrender of the Barlow estates demonstrated the determination of Tun Ismail to secure overall control of as many estates as possible. Only one British Agency House remained. However, Harrisons was a very different proposition as this company had friends in high places, particularly in the City where it was revered. In December 1980, a London stockbroker stated in the *Far Eastern Economic Review* that 'Harrisons has a certain mystique' and, 'the City would defend it come hell or high water' as a 'bastion of old fashioned integrity and diligence'.[704] That high standing in the City was vindicated by year on year returns that revealed steady growth funded by consistent and rising profit yield, as shown in Table 7.7.

Table 7.7: Harrisons Annual Turnover and Profit figures 1973-79[705]

Year	Turnover £m	Profit £m
1973	102.7	19.2
1974	212.1	9.7
1975	390	14.5
1976	528	24.3
1977	579	54.8
1978	546	54.3
1979	639	63

The figures show that turnover rose six-fold and profits trebled in a decade. Once the 'Three Sisters' estate companies had been merged to form HME in 1977, profits

[704] Yacob and White, 'Unfinished Business', p. 934.
[705] H&C MS37020, figures extracted from Annual Report of Accounts, 1973-79.

soared. At the company's AGM in 1978, the chairman spoke of 'record profits coming out of Malaysia' and indeed, while the various operations there produced 63 per cent of profits, the estates generated 50 per cent alone.[706] One can conclude that revenue generated by the estates was largely responsible for the spectacular rise in company profits at the end of the decade. Dividend awards also increased, and investors reaped a magnificent 22.5 per cent return to capital in 1977 alone.[707] It was obvious that, by the end of the decade, HME was the jewel in the company crown. The merger of the 'Three Sisters' had made Harrisons the largest private estate operator in Malaysia. In HME, Harrisons held 26.4 per cent of share capital and a further 7.4 per cent through a number of subsidiaries.[708] However, the board was still wary and on 15 May 1978 embarked on a plan to secure the entire share capital of HME. Existing shareholders were offered one Harrisons share for every five in HME. When the deadline passed, the board had secured just shy of 82 per cent. That majority holding was way above the equity ceiling promulgated in the NEP. When a planned change of company domicile and transfer of HME equity was effectively blocked in 1978, the board had reached an impasse.

It was no surprise that Tun Ismail viewed toppling the Harrisons Empire a final and crucial step to securing effective control of the nation's estate industry. Fractious negotiations around equity transfer rumbled on and yet, at the end of the decade, nothing concrete had been agreed. In light of the earlier Sime Darby coup, the Harrisons board was acutely aware of the threat posed to global business assets should they lose control in Malaysia. It was a 'house of cards' scenario that the board feared and justified that strenuous effort to ring fence the estates and distance business elsewhere. By 1982, nothing had been resolved despite the Malaysian takeover of Barlows and Guthries. The figures in Table 7.8 underscore the fact that losing control of HME and the estates would have been a bitter pill to swallow for Harrisons.

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[706] H&C MS37017/13-14, figures and chairman's quote extracted from Annual Report of Accounts, 1977-8. The Plantations Division produced a profit of £28 million in 1978 versus £9 million by the Chemicals Division.
[707] H&C MS37017/13, figures extracted from Annual Report of Accounts, 1977.
[708] *Golden Hope Story*, p. 26.

Table 7.8: Harrisons Results on the Malaysian Plantations 1978 - 1982[709]

	1978	1979	1980	1981	1982
Turnover (£m)	72	73	66	82	82
Profits (£m before Tax)	27.2	29.5	29	25.5	21.4

Detailed Breakdown of Harrisons Group 1982 results

	Turnover	Profit
Plantations	82	21.4
Chemicals and Industrial	334	5.4
Timber and Building	227	7.8
General Trading	269	5.9
Financial		3.9
Property Disposals		10.1
Associated Companies		4.6
Turnover and Profit before interest	**912**	**59.1**

The breakdown reveals that although the estates accounted for just 9 per cent of turnover, they produced 36 per cent of profits. It was therefore logical that Harrisons would fight tooth and nail to retain a significant and, if possible, controlling stake in the estates. The main aim of the board was to delay equity transfers for as long as possible thereby keeping profits flowing to London. However, by the 1980s, events were turning in Tun Ismail's favour as other Agency Houses surrendered by various means to the PNB.

Once Guthries had fallen and it became known that the Barlow family intended to sell, Tun Ismail turned to Harrisons, the last major British Agency House in Malaysia. PNB had previously secured the HME shares held by Genting Berhad, the company responsible for blocking the first motion to merge the 'Three Sisters' in 1977. The PNB holding was now just 8 per cent but the Harrisons board was aware that Tun Ismail was accumulating shares elsewhere with the backing of the Malaysian government. To open a dialogue with Tun Ismail, Harrisons stationed a director, John McLeod, in Kuala Lumpur. In 1980, the board made an offer to transfer 30 per cent of HME shares ahead of the 1990 deadline. That would be accompanied by a gentleman's agreement to continue investing in the estates. The

[709] H&C MS37017/14, figures extracted from Annual Report of Accounts 1982.

Foreign Investment Committee intervened and demanded the equity transfer be 40 per cent and that it take place immediately. The Harrisons board acceded to that demand, although crucially the company would still retain a controlling 51 per cent of shares. It would have come as no surprise when word reached London that the Malaysians had changed tack and wanted majority control as soon as possible. It was back to the negotiating table, and it is worth recalling that these meetings took place at a time of increased tension between Britain and Malaysia. Moreover, a more nationalist leaning Prime Minister Mahathir, had launched a 'Buy British Last' policy in October 1981.[710] As the dialogue between the parties grew more fractious, Harrisons was instructed to deal directly with PNB and Tun Ismail. The Harrisons director, John McLeod, produced a transcript of, what became the defining meeting with Tun Ismail.

From the start, Tun Ismail was a potent and intimidating adversary for London company boards. Indeed, the meeting with John McLeod in Kuala Lumpur on Friday 11 February 1982 was symptomatic of the man's approach to dealing with the Agency Houses. On that day, McLeod was kept waiting for over 30 minutes before being ushered in to Tun Ismail's office. The opening remarks set the tone when Tun Ismail interrupted his aide during introductions by shouting 'I don't want his biography details, is he here to negotiate or not?' McLeod subsequently reported that Tun Ismail was 'hard faced and aggressive' throughout the meeting and bluntly informed him that a transfer of 40 per cent shares in HME should happen immediately. Furthermore, Tun Ismail advised that his Prime Minister had instructed PNB to purchase all of Harrisons' shares in HME. It was obvious to McLeod that the company's global assets were now under threat. McLeod proposed shared ownership of HME. Tun Ismail said 'he would take to the Prime Minister the concept of partnership but Harrisons would get just 30 per cent [of share capital in HME].' With that, Tun Ismail demanded his offer be accepted there and then. When McLeod said he did not have that authority to do so, it further enraged Tun Ismail who roared to his aide 'Why talk to him if he has no authority'? With that, Tun Ismail brought proceedings to a close and demanded that an answer from the Harrisons

[710] For an in depth study of the policy see Karminder Singh Dhillon, *Malaysian Foreign Policy in the Mahathir Era, 1981-2003: Dilemmas of Development,* (Singapore: NUS Press, 2009), pp. 163-73.

board be on his desk the following Monday. It was late Friday afternoon and despite McLeod's protests (he was flying to London that evening), Tun Ismail refused to budge. McLeod went directly to his office and wired London. He wrote that Tun Ismail would not accept less than 51 per cent of shares in HME and advised that 'the whole of H&C was at risk' if the board did not accept the offer.[711]

On 1 June 1982, just nine months after the Guthrie 'Dawn Raid', a Scheme of Agreement was announced where PNB would take a controlling position in HME. To facilitate this, a new Malaysian incorporated company, Harrisons Malaysian Plantations Berhad (HMPB), was formed to buy out the entire share capital of HME. The motion was finally approved by existing HME shareholders on 20 August 1982. Harrisons then sold 50 per cent of its HME shares to another Malaysian agency, Permodolan Plantations Berhad. For that transaction, Harrisons received £150 million along with shares in HMPB valued at around £100 million.[712] On 1 October 1982, HMPB commenced trading on the KLSE. A paper in the archives revealed that HME was struck off the LSE register two years later.[713]

The Harrisons board was left with a minority holding of 30 per cent in the estates, just as Tun Ismail had indicated at the meeting with McLeod. The new HMPB board of directors consisted of Tun Ismail (as chairman), four senior Malaysians and Harrisons very own John McLeod. In April 1983, HMPB expanded with the purchase of Barlows Plantations Sendirian Berhad from PNB for M$159.1 million (£46.82 million). In that single transaction, PNB recouped what it had paid for the whole Barlow family business. Furthermore, in April 1983, HMPB acquired a 70 per cent holding in Jomalina Sendirian Berhad, the nation's largest palm oil refinery.[714] That acquisition was a step towards securing a domestic refinery capability. Despite losing the estates, Harrisons still reaped generous dividends from the shares it retained in the now Malaysian registered company. Moreover, the board now had the funds to further pursue opportunities in the chemical industry.

[711] H&C MS37608, staff report on meeting between John McLeod, Harrisons Malaysian Estates Ltd., Tun Ismail and Khalid Ibrahim, his main aide in PNB, 11 February 1982.
[712] H&C MS373/001, Conditions of Sale, loose paper undated.
[713] H&C MS37678, entry in company accounts to Board, paper dated 19 October 1984.
[714] 'HMPB commences operations', *Berita Harrisons,* Vol. 4, No. 3, p. 1, September 1982, cited in *Golden Hope Story,* p. 27. The refinery is located 30 miles west of Kuala Lumpur.

Before moving on, it is worth speculating what might have happened had the Harrisons board refused to sell to PNB. Would Tun Ismail have contemplated appropriation of those British estates? It is an unlikely scenario as it would have sent the wrong message out to the international investors that Malaysia was openly courting at that time. Doubtless, the fall of the other British Agency Houses left Harrisons isolated and an obvious target for further punitive attacks by authorities. Therefore, it was probably the case that the Harrisons board concluded the game was up and, rather than risk coming away from Malaysia with nothing, believed it was prudent to sell. In any event, Harrisons came out of the sale rather well compared to the other Agency Houses. The method of takeover was very different to the more aggressive methods applied to other Agency Houses. Those had included removal of chairman and board representation (Sime Darby), rapid share accumulation (Guthries and Boustead) and direct (and allegedly indirect) pressure on individuals (Barlows). It is therefore curious that other European firms including the Danish outfit, United Plantations and SocFin, a French/Belgian company, survived the foreign cull in the estates. One could argue there was a crusade to remove the British, however, Unilever's PAMOL survived as did the refinery in Kuala Lumpur. However, in naming these companies we are not comparing like for like as the business assets of each Agency House dwarfed the combined holdings of all other European firms operating in Malaysia.

On that subject, Gent made the rather dismissive remark that 'one hears talking a fearful lot about SocFin and Bek Nielsen [United Plantations]. They were trivial things, they counted for nothing'.[715] That said, Bek Nielsen was highly regarded in Malaysia and, like Fenner, was the only other westerner named a Tan Sri, the second most senior federal title in Malaysia. What worked in Bek Neilsen's favour was the fact that, as owner of United Plantations, he had made Malaysia his home and was looked upon as something of a local businessman. The remoteness and indifference of many directors sat in London stood in stark contrast and undoubtedly coloured the views of Malaysian officials, particularly Tun Ismail. That

[715] Interview with Marcus Gent, 11 July 2014. See Susan Martin, *the UP Saga,* (NIAS Press, 2004), pp. 1-356, for a glowing précis on the Danish company, United Plantations. Whilst all interviewees spoke well of Borge Bek Nielsen, all argued that the justification in comparative terms is very weak. United Plantations (and PAMOL, SocFin etc.) were small in terms of estate holdings and capitalisation if compared to the British Agency Houses.

was true of Harrisons, whose chairman simply refused to speak to the Malaysians. For the Malaysian government, the Agency House stake in an industry that the economy was completely reliant on was too big a threat to ignore. Moreover, the Agency Houses were engaged in, or contemplating, investing outside of Malaysia by using the substantial profits that were being generated on the estates. It was therefore inevitable that Tun Ismail would force through share transfers ahead of that 1990 deadline. At the start of the 1980s, the British Agency House had simply worn out its welcome in Malaysia.

Assessing the outcome for each of the British Agency Houses is an interesting exercise as all were linked in one way or another. Boustead was the easy target given its local listing on the KLSE and Singapore stock exchange. The early fall of that company gave Malaysian authorities the leverage to go after Barlows. Barlows was perhaps unfortunate to be lumped in with Harrisons, Guthries and Sime Darby. Just about all of the family business was in Malaysia by the 1970s and a large slice of profits was actively ploughed back into the estates there. Sime Darby and later Guthries, on the other hand, were slow to react and redeploy or diversify business out of Malaysia. They were, however, viewed as part of a British Agency House cabal that exerted majority control over the estate industry both before and after independence. In any case, on the subject of business diversification and redeployment, Gent had this to say:

> Whatever we did [elsewhere], the plantation companies became more and more rich. Most of the share profits we received came from the plantation companies. We obviously knew they [the Malaysians] were determined to take over the plantations, the British ones.[716]

In assessing the final days of the Agency House in Malaysia, it is obvious that the proficiency displayed by Harrisons management down through the years placed the company in a strong commercial position elsewhere to survive losing the Malaysian estates. By the early 1970s, all of the Agency Houses were aware that their position in the Malaysian estate industry was under threat. However, Harrisons was the only company with a plan to resist and pursue business elsewhere. Most directors of Harrisons had previously worked in Malaysia and were perhaps aware

[716] Interview with Marcus Gent, 11 July 2014.

that there would be an end date to British ownership in the estates. On that subject, Mackenzie recalled the words uttered by a previous manager who advised him of his moral obligations:

> This land is not yours, we have it on a 100 year lease so it will be returned to the government and it is our responsibility to make sure that that land is returned in as good if not better quality than what it was when started.[717]

Of course, advice of this sort is all very well on the ground, so to speak; it is a completely different ball game when your moral compass is guided by a company balance sheet and shareholders who expect dividend awards year on year. For those London boardrooms, retaining the revenues generated on the estates for as long as possible became the primary aim. If the estate industry and the Malaysian economy benefitted as a result then that was merely a positive spin-off for the host nation. To hedge against losing the estates, Harrisons ploughed profits into other sectors, most notably the chemical industry. Furthermore, most new ventures were in the west and therefore easier to defend at corporate level. Harrisons held true to that multi-faceted and highly diversified Agency House business model that was a commercial feature in so many British colonies during the imperialist era. In an interview with the *Sunday Telegraph* shortly after the equity sales had been agreed with PNB, the Harrisons chairman Tom Prentice stated that:

> We are a conglomerate. We are a group with four clear divisions: plantations, chemicals and industry, timber and, building and general trading. Our intention is to acquire and expand where we have a position in existing management skills.[718]

True to the company's word, Harrisons continued to invest in the estates, and, in the annual accounts for 1984, the chairman reported a £20 million investment in a new oil palm plantation of 15,000 acres in Papua New Guinea.[719] The company always appeared to be ahead of competitors and demonstrated a flexible and dynamic approach to business that was reflected in the breadth of operations by the 1980s. Indeed, despite losing the estates, turnover breached the £1 billion mark in 1983 and in the next year it was £1.5 billion. Those results generated profits of £65.7 million

[717] Interview with Rod Mackenzie, 4 November 2012. MacKenzie is recalling a quote by Ken Stimpson, former manager of Harrisons, in conversation.
[718] H&C MS373/001, 'So where does Harrisons go from here?', *Sunday Telegraph,* 6 June 1982.
[719] H&C MS37017/1, Chairman Report to Shareholders at the 1984 AGM.

and £97.3 million respectively.[720] Clearly the board's resolve to pursue a thoroughly diversified commercial portfolio was vindicated. It is precisely for that reason that the company survives today under the same corporate governance, albeit with a new name, Elementis plc. The only other notable change is that the company headquarters are now in Caroline House, High Holborn in London, not Great Tower Street where the original partners first launched a tea venture that subsequently led to a commercial odyssey overseas.[721]

In the aftermath of the HME takeover, Harrisons made further investment in the chemical industry and, in 1988, the accounts revealed that that side of the business had generated greater profit than the estates, as Table 7.9 shows.

Table 7.9: Harrisons Profit Totals by Division 1982 and 1988 [722]

Division	1982 £m	1988 £m
Plantations	41.6	23.8
Chemicals and Industry	10.3	34.2

The figures reveal a remarkable transformation in the business in just six years with no adverse effect on profits. Tom Prentice handed over to George Paul in 1984 and retired three years later in the post of chairman. He was replaced by David Hopkinson, previously of M&G. Again, Hopkinson's appointment demonstrated that it was a small and perhaps incestuous world in London boardrooms. Paul, the new chief executive, was not so sentimental about the estates, having come from the farm feed sector. Harrisons' last link to the Malaysian estates was severed when Paul returned from a trip to the Far East in late 1988 (this was his first visit despite being chief executive for four years). In Kuala Lumpur, Paul sought out Henry Barlow for advice. Barlow gave this somewhat amusing account of that encounter:

> Shortly after I left Barlow Boustead I received a telephone call from Paul, who was out on pretty much his first visit to Malaysia. He came along to ask my advice because the proposals at that stage were that Harrisons in London should retain a 30 per cent stake with 70 per cent being owned by Malaysians

[720] H&C MS37021-2, figures extracted from Annual Report of Accounts, 1983 and 1984.

[721]Corporate H*ead Office for Elementis plc is now,* Caroline House, 55 - 57 High Holborn, London WC1V 6DX.

[722] H&C MS37020-26, figures extracted from Annual Report of Accounts, 1982 and 1988.

of various kinds. I said that I thought that it would not be an easy position but it would be an enormously profitable position if they were prepared to stick by their 30 per cent stake and hang onto it. He said 'thank you very much indeed for your advice', and went straight back to London and sold the lot.[723]

On 3 March 1989, Harrisons sold its remaining 30 per cent holding in HMPB for £145 million and, with that final act, brought down the curtain on a business association with Malaysia that stretched back to 1865 when Messrs Harrisons and Crosfield first bought into the Victoria sugar estate.[724] In the intervening years, Harrisons, like the numerous other British estate operators, bequeathed an industry and business ethos that, to this day continues to provide so much for so many. On the Elementis website, all that remains of that role in the estates of South East Asia is an entry on the 'about us' page which is reproduced below.

Image 7.1: Elementis plc Company History Extract[725]

1844

Harrisons and Crosfield is formed by two brothers, Daniel and Smith Harrison, and Joseph Crosfield to trade in tea and coffee. From here the company soon developed into a global trading and tropical plantations company with estates producing tea, coffee, timber, oil palm and rubber.

Of all the Agency Houses that dominated the estates of Malaysia, Harrisons survived where Barlows, Boustead, Guthries, Sime Darby (as a British company), alongside others elsewhere in the world, were consigned to the annals of business history. A British estate presence in Malaysia survived for just a few more years after the 1980s.

In December 2002, Unilever sold the last of the company's PAMOL shares for €152 million (£97 million) to the Malaysian company Palmco of Malaysia, a subsidiary of the IOI Corporation.[726] It was something of a surprise as the company was not put under pressure to sell. However, Davidson surmised that it was a logical step:

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[723] Interview with Henry Barlow, 6 August 2013.
[724] *Golden Hope Story*, p. 19.
[725] Elementis plc, see <http://www.elementisplc.com/about-us/history/>, (accessed, 25 August 2015).
[726] Unilever website, <https://www.unilever.com/news/press-releases/2002/02-12-02-Unilever-sells-shareholding-in-Malaysian-palm-oil-estates-to-Palmco.html>, (accessed, 1 August 2016).

> There is no longer anything which Unilever can contribute to oil palm plantation technology, although there may be other ways in which it can contribute. Malaysia companies are now recognised as the world's experts in oil palm cultivation.[727]

It was Unilever alongside those Agency Houses that constructed then left behind an estate industry and global palm oil trade that leads the world today. To repeat a comment made by Raja Alias 'the pillars of development [for Malaysia] were built on the primary resources of Tin and Rubber. A third pillar was added in Palm Oil.'[728]

When Unilever sold, that appeared to be an end to the British company in the estates of South East Asia. However, at the height of Agency House takeovers, a British firm was quietly accumulating shares in oil palm estates in Malaysia and Indonesia. The M P Evans Group, at the time of writing, owns oil palm estates in Malaysia and Indonesia alongside a few other assets in Australia. The company had accumulated 51,000 hectares (126,000 acres) of estate land, just over three quarters of Barlows Highlands & Lowlands acreage back in 1982.[729] The company is listed on the LSE Alternative Investments Market with headquarters in Tunbridge Wells. Moreover, M P Evans also has a commercial history that stretches back into the 19th century and the tea trade, much like that of Harrisons. Over the intervening years, the company has moved into rubber, just as Harrisons did, and, in the early 1900s, acted as secretary for the LSE listing of rubber estate firms located in South East Asia. Perhaps therefore, the Agency House business model lives on overseas after all. A postscript to this: on 25 October 2016, the Malaysian company Kuala Lumpur Kepong Berhad made an offer for the entire shareholding in M P Evans at £360.5 million.[730] That offer provided existing shareholders with a premium of over 50 per cent and further indicated that Malaysian buying activity is not yet finished in respect of the estates. The exit of the British Agency House from the estate industry was also not the end of the palm oil success story in Malaysia.

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[727] Leslie Davidson, paper for the Rubber Growers Association, February 2002.
[728] Raja Alias, 6 November 2013, Email response to question by author.
[729] Extracted from M P Evans, see <http://www.mpevans.co.uk/mpevans/en/home>, (accessed, 25 August 2015). Barlow Archives, Box 74/2. Barbeal total estate acreage 241,000 in 1982.
[730] LSE Regulatory News Service, 'Cash offer for M P Evans Group PLC by Kuala Lumpur Kepong Berhad', 25 October 2016. See < http://www.shareprice.co.uk/MPE/M-P-EVANS-GROUP#news/news-rns>, (accessed, 26 October 2016).

Today's Malaysian Plantation Industry

In 2013, revenue from palm oil exports provided between five and six per cent of the Malaysian Gross Domestic Product (GDP). That figure was M$80.3 billion (£16 billion) of a commodity total of M$130 billion (£26 billion), in other words over sixty per cent.[731] These figures are all the more remarkable when compared to corresponding figures for palm oil in 1973, which were then just M$529 million (£93 million), just seven per cent of the nation's take from commodity exports. The emergence of palm oil as a global commodity in the past half century has been nothing short of astonishing. Of the total land coverage for the ten major oilseed commodities, oil palm covers just over five per cent, but produces 32 per cent of global oil and fats supplies. In downstream trade, Malaysia no longer exports raw palm oil (CPO). In 1995, Malaysian companies operated 53 refineries producing 8.6 million tonnes of Processed Palm Oil (PPO) each year.[732] That downstream capability has ensured that full commodity product value is now realised in Malaysia. In terms of company structures, Sime Darby inherited the bulk of the former British estates. That company now employs over 100,000 people in commercial operations spread across the world. In 2015, the Sime Darby accounts reported a turnover of £6.76 billion and a gross profit of £512 million.[733] To this day, the company is run, more or less, like the British Agency House that preceded it with a thoroughly diversified portfolio which includes industrials (agents for Caterpillar), motors (agents for a number of brands including Audi, Land Rover and Volkswagen), logistics (running ports and waterways) and property (includes hospitality). A core division within the Sime Darby group remains the estates. With a board of directors answerable to shareholders and a corporate structure reminiscent of those companies that once commanded the Malaysian private sector, it would appear that the Agency House business model is still very much alive.

This final chapter set out to look at the final days of the British Agency House in Malaysia. Certainly, without the capital, the people and the research commitment

[731] MPOB, see <http://www.palmoilworld.org/sustainability.html>, (accessed, 25 August 2015).
[732] Sime Darby, see <http://www.simedarby.com/upload/Palm_Oil_Facts_and_Figures.pdf, figures extracted from Oil World 2013, (accessed, 25 August 2015).
[733] Sime Darby, see < http://www.simedarby.com/upload/Sime%20Darby%20Annual%20Report%202015.pdf>, (accessed, 1 August 2016).

of those companies, Malaysia's position at the head of the global estate industry would not be as it is today. Much of that success is because of the adoption of oil palm by those former British estates, a crop that the Agency Houses introduced in the years following Malaysian independence. That those same British firms were able to retain dominant commercial positions for so long and thereby expand estate holdings in Malaysia stands in stark contrast to companies like UAC in Nigeria. The subsequent demise of UAC was a consequence of the short-sighted and nationalist driven rhetoric that was a feature in many former colonies at the end of British rule. That does not ignore the part played by the previous colonial authorities in framing policy for the nationalist regimes that followed. This was plainly evident in an agriculture sector on which both nations depended at independence. For Malaysia though, it is palm oil that has supplied the nation with an economic 'pillar of development'. That prolonged accommodation of British firms allowed the Agency House to progress an investment strategy that has seen the nation's estate industry become the world leader it is today. As Raja Alias plainly stated when asked about the legacy of those Agency Houses:

> I have to acknowledge that the British companies made a huge contribution to the economic development of the country both prior and post-independence. They trained and developed a pool of talented local planters who continued with the work of the British companies, for which we are most grateful.[734]

[734] Raja Muhammad Alias, Director General, FELDA 1969-79, Chairman, FELDA 1979-2001, email response to questions dated 6 November 2013.

Chapter 8: Conclusion

Brief Summary

This thesis set out to compare a number of overseas Agency Houses and their trade in the former British colonies of Malaysia and Nigeria. To achieve this, the research placed the firm at the centre of the analysis and examined company formation, subsequent corporate structures, specific areas of trade and, finally, evolving commercial strategy and outcomes in a changeable business environment in host nations. The thesis argues that such was the commercial prominence of those companies overseas, both during and after imperialism, that it is impossible to consider the individual economic histories of each nation without including them. As such, the research uncovered a number of factors that were specific to each nation in terms of trade and legislation. As largely agriculturally based and commodity export-orientated economies, it was the British company that dominated the private sector during imperialism and for a number of years under nationalist rule. It was that British-managed trade in commodities as constructed in Victorian times that continued to generate most of each nation's revenues, public and private, at and in the aftermath of independence. The fact that the trade was still directed by those Agency Houses long after British rule became a source of nationalist impatience and, thereafter, a major influence in subsequent government policy as both Malaysia and Nigeria pursued economic independence from the former colonial power.

The thesis thereafter considered the policies chosen by the government of each nation (including the undeniable legacy of British rule) to identify areas in which legislation either facilitated or inhibited Agency House business growth. The legislative approach adopted by host nations also, by extension, determined the business longevity and fate of those Agency Houses. This thesis argues that business development in Malaysia, particularly in the estate industry, was significantly boosted by the accommodation of those Agency Houses by colonial and then independent Malaysian government authorities. In the case of Nigeria, that contributory role for the Agency House was not replicated before, and especially after, independence. Moreover, the Nigerian commodity trade, which had flourished under British rule, languished thereafter and was quickly surpassed by the estate industry in Malaysia. It was no coincidence that the Nigerian commodity trade went into steep decline after British firms, like UAC, ceased their involvement. This was most evident in a Nigerian palm oil industry, which had once led the world in terms of production and exports.

Nigerian Business and Economic Synopsis

In Nigeria, British business dominance was as strong as ever at independence and was largely exercised by just one company, UAC, known widely as the ‘Business Octopus of Africa’. From company inception in 1929 following mergers of firms that had existed since the late 19th century, the management of UAC had pursued an exhaustive business acquisition strategy in Nigeria that was designed to seize control of large swathes of the private sector. UAC management was so successful in this strategy that, at independence, there was very little in the way of competition in a number of business sectors. However, after independence, the Nigerian economy performed badly, which contrasted particularly with the relatively successful economic performance experienced in Malaysia. It is an indictment of successive Nigerian regimes that most of those economic woes have been self-inflicted due to unremitting political strife, endemic corruption and tribal conflict. Therefore, a number of factors underpin the nation’s economic weaknesses, and some stand out more than others. One major failing has been an inability of government to nation-build and foster unity across religious and tribal divides. An early indication of this can be found in an adopted federalist mode of government after British rule. Central government was fragile from the outset due to the fact that leading politicians were allowed to govern from tribal heartlands: the Hausa to the north, the Igbo to the east and the Yaruba in the west. Conflict over government spending priorities was therefore inevitable and plagued development progress thereafter. Weak regime was replaced by weak regime, and politicians fell back on populist rhetoric that was frequently ill-conceived, often retaliatory and, more often than not, targeted the business interests of the former power. For its part, UAC management always distanced the company from individual politicians or parties. However, that lack of engagement or indeed affiliation with the political elite did not sit well in a nation where corruption was endemic and part of an emerging business culture. Thereafter, the lack of patronage saw UAC, the leading foreign commercial enterprise in the region, shoulder the brunt of punitive legislation introduced by self-interested politicians, many of whom were businessmen in their own right.

Another key factor that fuelled a culture of corruption in high office can be found in an early move by government to replace British expatriates and civil servants with nationals in 1961. Subsequently, over-staffing only succeeded in creating a bloated civil service where corruption became rife. One recalls a comment made by Thomas that the possession of a rubber stamp in Nigeria conferred power on the holder.[735] Some of the more shady practices in public office certainly found their way into the private sector. UAC, however, perhaps idealistically, kept them at arm's length despite some indications that other competing foreign firms were indulging in them. Thereafter, an indigenisation programme introduced by government rather hastily after the civil war in 1970, failed to contemplate the wider consequences for the economy. An indigenisation policy that was designed to rebalance private sector wealth only succeeded in exacerbating inequality and destroying the business of UAC.

As indicated previously, the Nigerian economy at independence was very much agriculturally based and built around a commodity trade that, in some products, especially palm oil, led the world. Much of that success was due to the role played by British companies like UAC. A subsequent lack of investment in agricultural and constant government interference in the downstream commodity trade formed the underlying reasons for UAC's decision to exit the trade altogether. Thereafter, the Nigerian economy was unbalanced by the discovery of oil in the Southern Delta region and subsequently by even more questionable financial policy and practices. In short order, Nigeria became almost completely dependent on oil exports for revenue. World Bank figures in 2008 revealed that oil exports accounted for over 92 per cent of revenue, while agriculture contributed just two per cent.[736] This was a complete change to the more balanced economy immediately after British rule. Somewhat predictably, plummeting oil prices in 2015 hit the economy hard, with *The Economist* forecasting that Nigerian government finances would decline by 40 per cent. The lack of economic diversification—indeed the growing reliance on a single commodity for export earnings—since independence has

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[735] Interview with Tony Thomas, 6 July 2014.

[736]The World Bank, see <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG/countries?page=5>, (accessed, 25 August 2015).

rendered the nation a net food importer which, at the time of writing, costs the government $4.3 billion annually. The same *Economist* report also damningly stated that 'a country that should be the region's bread basket cannot even feed itself'.[737]

As far as UAC itself was concerned, though, this thesis has argued that, although ensuing government treatment of resident British firms like UAC was largely punitive and short-sighted, it did not happen overnight. Many of the subsequent difficulties faced by UAC in Nigeria could have been tempered by early and decisive action by management to reduce commercial dependency on one nation. However, the UAC board in London was, at independence, accustomed to operating autonomously with very little input from the parent company, Unilever. It would seem that management failed to grasp fully the threat posed to its business as a whole if the trade on 'the Coast' deteriorated. A strategy of business diversification and redeployment came too late, and most endeavours suffered from inadequate managerial oversight. By the 1980s, revenues from 'the Coast' trade had all but dried up, and the company could not be saved. Unilever, the parent company, must also shoulder some blame, though, as there was very little in the way of oversight of a subsidiary that was once held to be 'the brightest feature in Unilever's crown'.[738] Taking into account all of the factors that contributed to the eventual demise of UAC, it is little wonder that the Nigerian economy deteriorated so markedly to a point where, to this day, business conditions remain challenging to say the least. That so many multinationals will still not invest in that nation is an obvious attestation to the business environment that persists today and is an indication of the challenge that the Nigerian government still faces.

Malaysian Business and Economic Synopsis

A strength-in-numbers dynamic that was frequently evident among the Agency Houses in Malaysia made for a powerful business lobby both in imperialist times and, thereafter, in the independent Malaysian state. Under British rule, Malaya became a major producer and supplier of raw materials to western industries and, most obviously, home to an estate industry that rapidly expanded to command the

[737] *The Economist,* 'Special Report: Nigeria: After Oil', 30 June 2015.

[738] Unilever GB 1752.OH/5: Phrase from interview with James Keir, Legal Advisor to UAC, 30 March 2004.

global rubber market. That industry growth was largely financed by British investors and prosecuted by a vast number of FSCs from the beginning of the 20th century. During those years, a particular type of firm rose to the top of the industry through a strategy of steady accumulation of equity and commercial assets: the Agency House. At the end of British rule in the region, a business-as-usual business environment was assured with the election of an amenable and sympathetic coalition government. As in imperialist times, development of the estate industry continued apace, funded by that resident British business strength and the resultant influx of capital from British investors. Although the Agency House has long since departed the estates of Malaysia, the industry has continued to go from strength to strength as part of a wider economy that has surpassed other former British colonies in terms of performance. In 1990, the Malaysian government launched a 'Vision 2020' strategy to achieve developed nation status within 30 years. Although that target date may well have slipped, there is little doubt that this ambition was built on solid political and economic foundations. For that reason, self-rule in Malaysia can be viewed a rare success when compared to other former British colonies such as Nigeria. Comparing the business conditions that existed in Malaysia to those in Nigeria, allows us to build a compelling case that supports the argument that a large part of the post-independence economic performance of former colonies can be explained by the historical role played by the Agency Houses that once commanded trade and industry across each nation.

Long-term economic planning has always appeared to be a feature of Malaysian governance and one that has seen a relatively stable regime first accommodate, then manipulate and finally buy out the business assets of the Agency Houses. Furthermore, this all took place in an era following British rule that became increasingly dictated by global events and trade. Since the start of the 20th century, successive regimes in the Malaysian area, colonial and national, have successfully attracted significant levels of foreign, mainly British, investment, much of which was encouraged by a willingness to free up land for estate development. This consistent ruling policy paved the way for a massive rise in rubber, and subsequently, palm oil production. It is a policy and development strategy that has also empowered vast numbers of rural and indigenous people in Malaysia. The growth that took place in the estate industry was also a precursor to business consolidation that saw the Agency House emerge as a compelling commercial powerhouse in the region. However, by the 1970s, that conciliatory approach of government was steadily supplanted by an ever more insistent crusade to seize control of national assets from distant London boardrooms. Faced with mounting pressure, each of the Agency Houses eventually capitulated to Malaysian agencies as the previous strength-in-numbers dynamic began to weaken. Of all the Agency Houses selected for extensive analysis by this study, it was Harrisons that demonstrated a particularly adept handling of events, and especially that of countering Malaysian government pressure. It was largely because of that boardroom prowess that the company was able to fend off government agencies long enough to enable a comprehensive redeployment of business. For that reason, Harrisons continues to operate today under a new company name, Elementis plc.

<u>Contrasting Company Structures in Malaysia and Nigeria</u>

A major challenge for this study was to make comparisons between the company evolution that took place in each nation under imperialism and, thereafter, the trade strategy each of the selected firms prosecuted. In Malaysia, there were a number of Agency Houses that emerged to dominate and direct the estate industry in Malaysia. In Nigeria, just one company, UAC, emerged to dominate much of the trade across the wider region. That did not include commodity production, which remained the remit of indigenes only in that particular country. The thesis argued that those different company structures and trade therein had a direct bearing on host government policy which, in turn, determined foreign investment and thereby the subsequent development that took place in particular sectors. For this study, the sector highlighted was agriculture.

For Nigeria, British company and trade representation in the private sector was rather straightforward. UAC controlled so much that it was every bit the true 'Business Octopus of Africa' at independence. However, that obvious commercial prominence was at the same time a clear and painful reminder of British imperialism and, as such, UAC became a symbolic target for nationalist resentment. UAC's status as a subsidiary to Unilever certainly offered management the financial strength that was not so readily available to other standalone enterprises in Nigeria. That said, the thesis argued that UAC leadership, at times, can be accused of resting on their laurels as they did not exhibit the level of dynamism required to keep such a huge business afloat in difficult times. UAC was perhaps looked upon as too big to fail, a view that has frequently preceded the demise of many large companies down through the years. It certainly did not help matters when the board chose to register parts of the business locally as early as the 1950s. Thereafter, any corporate protection offered by London was eroded by Nigerian indigenisation of equity and business assets. It was further claimed by the thesis that UAC was slow to respond to an emerging nationalist agenda in Nigeria, particularly after the civil war ended in 1969. That political agenda steadily eroded trading conditions for all foreign firms, and, for most, business redeployment was the only option. The thesis also suggested that the commodity trade could have provided UAC with significant revenue outside of Africa. The abdication of management responsibility for Unilever estates, quickly followed by the decision to exit the commodity trade altogether, was a commercial ruling by head office that would come back to haunt the company in later years. Any form of participation in the commodity trade in Malaysia could well have bought the UAC board the time, not to mention the revenue, to enable a level of business redeployment away from Nigeria. As events transpired, Unilever's Plantations Group took over that estate management role and expanded interests in palm oil with notable success, although mostly in Malaysia.

For many reasons, most of them self-induced, the Nigerian private sector was never an attractive proposition for foreign investors, outside of the oil industry, after British rule. The emergence of a large oil industry denuded agriculture of investment, both domestic and foreign, as the economy went down the route of the aforementioned 'Dutch Disease' model. For UAC's 'Coast' trade, the cumulative erosion of profits and constant demands for equity transfer undoubtedly took their toll and culminated in a situation where the London board was forced to surrender control of assets overseas. Right till the very end, the business of UAC remained almost totally dependent on Nigerian trade. Therefore, when the host nation's economy went into tailspin at the end of the 1970s, UAC's profits followed suit. The McKinsey audits of 1984 and 1986, in many ways, arrived too late in the day. By then, 'the Coast' business was in terminal decline, and the fate of UAC was sealed. With no Plan B, the parent company was forced to wield the axe and, as such, little remains in Nigeria today to remind of that former British Agency House.

In Malaysia, a larger number of similarly sized and positioned British firms frequently demonstrated collective commercial strength through well represented and formidable trade bodies like the Malaysian Oil Palm Growers Council and the Rubber Growers Association. That British business strength proved too robust for an early nationalist regime to consider moving against. Instead, the government decided to maintain a business *status quo* which allowed the Agency House to steadily increase estate interests. That business environment and company structure also suited British investors and became a crucial enabling factor for the former British colony in terms of development strategy. The historian Sarah Stockwell reported that total British capital invested in all of the former colonies actually rose between the years 1952 to 1965 from £4,000 million to £11,000 million.[739] In Malaysia, and given what has been highlighted within this thesis[740], a share of that British overseas investment was targeted at the estate industry which embarked upon rapid expansion and crop diversification. The Agency House was at the forefront of these developments, and, by 1978, revenue from palm oil sales alone was producing 50 per cent of Harrisons' group profits.[741]. On the back of this commercial effort by British companies and investors alike, Malaysian public agencies like FELDA benefitted immensely from the subsequent research effort that those Agency Houses brought to bear on the industry. Ultimately, a shared vision became evident between British firm and government in the estate industry and ensured subsequent rapid growth. The Malaysian economy benefitted directly from this foreign investment as the palm oil industry grew to become a world leader in terms of production and exports. The Agency Houses did not experience this growth equally, however. For Harrisons in particular, a progressive and favoured strategy of share accumulation rather than outright estate acquisitions, helped to spread risk, accelerate trade diversification and allow the board to redeploy business elsewhere, most particularly when trading conditions started to deteriorate in Malaysia. However, eventually, all of the British Agency Houses bowed to the demands of the Malaysian government and either sold majority holdings or were subjected to more direct and aggressive forms of takeover. In many ways, though, the thesis

[739] Stockwell, 'Trade, Empire, and the Fiscal Context', p. 158.
[740] See FN 521 and 577 above.
[741]H&C MS37017/14, 'Accounts for 1978 - 50% of profits – palm oil plantations' and MS37020, 'Consolidated results from trading 1973-1990'.

highlighted that the business contribution made by the Agency House in post-colonial Malaysia was as significant and as indispensable as it was during imperialism. Furthermore, it was very different from the role played by UAC in Nigeria.

The Commodity Trade and Palm Oil Today

The thesis selected the commodity trade as a central theme on which to base research on the commercial and trade disparities that became evident between Malaysia and Nigeria during and after British rule. Those disparities were largely responsible for the different company structures that emerged in each nation. The growth of a Malaysian palm oil industry after the Second World War has been particularly remarkable. The advantage of that commodity over competing crops became (and remains) evident in the global market for oils and fats. Among the ten major oilseeds, oil palm accounts for just 5.5 per cent of global land use and yet produces 32 per cent of the planet's oils and fats.[742] Furthermore, yields are even more impressive for palm oil when compared to other vegetable oils, as the table below shows.

Table 8.1: Major Vegetable Oils - Yield per hectare[743]

Oil	Yield (tonnes) per Hectare
Palm	3.66
Soybean	0.36
Sunflower	0.46
Rapeseed	0.6

The figures in the table show that yields of oil palm per hectare far exceed all of the other major oilseed crops combined, indeed ten times that of the commodity's nearest challenger, soybean oil. Again, the figures shown in this table are those obtained from large and efficiently run estates supported by modern milling facilities.

[742]See <http://www.simedarby.com/upload/Palm_Oil_Facts_and_Figures.pdf, figures extracted from Oil World 2013, (accessed, 1 November 2014).

[743] Leslie Davidson, 'Save the Jungles: Plant Oil Palm', *Global Oils and Fats Business Magazine,* 7 (2010), p. 11.

In 2013, exports of palm oil provided the Malaysian economy with around 6 per cent of the nation's GDP. That represented M$80.3 billion (£16 billion) of a total commodity export figure of M$130 billion (£26 billion), or roughly 70 per cent of commodity exports.[744] A major factor behind this contemporary success has been the historical contribution made by British firms like the Agency Houses featured in this thesis. British rule was, for the Malaysian estate industry, a largely positive experience that facilitated investment and thereby persistent growth. As the historian Sven Beckert highlighted in his study on cotton 'within this larger story of domination and exploitation, however, sits a parallel story of liberation and creativity.'[745] In palm oil, the research undertaken by the Agency Houses and Unilever was instrumental in the creative aspect of this equation. With global demand for palm oil forecasted to grow further, the prospects for the industry are extremely upbeat. Ultimately, the economy of Malaysia has benefitted economically and socially from agriculture where other former British colonies, like Nigeria, have not. Much of that was largely due to the different approaches taken by government to resident British firms after independence. In the case of Malaysia, the post-colonial role of the Agency House was therefore significant and crucial for an estate industry from which the economy and people continue to profit enormously.

In Nigeria, the government was not stable, nor was it as predisposed to playing host to British firms after independence. Therefore, the long-standing trade dominance of UAC quickly came to be resented by national politicians, many of whom were businessmen. Moreover, the company also became a favoured target for punitive legislation. As a result, foreign investment never reached the levels achieved in Malaysia, and agriculture suffered as a result. The longstanding and never-ending ban on foreign land ownership and the retention of the much maligned commodity marketing boards long after the Second World War were clear disincentives to any real investment in agriculture. As Lord Leverhulme had warned many years ago:

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[744] MPOB, see <http://www.palmoilworld.org/sustainability.html>, (accessed, 3 July 2013).
[745] Beckert, *Empire of Cotton,* p. 442.

> We had no right to collect the fruit or to force the Native to collect it, with the result that there was such an irregular supply of fruit that when our £20,000 capital was exhausted we packed up and went away.[746]

Nigeria was, therefore, never in a position, commercially or institutionally, to benefit from the expertise and technology that British firms like Unilever, through UAC, could potentially offer. As a result, the commodity trade, including the celebrated palm oil industry, did not receive the necessary backing to enable it to keep pace with developments in Malaysia. UAC, previously a commercial mainstay in the commodity trade, exited at independence and focused instead on more specialised agency business including local manufacturing with, it was found, very mixed success in Nigeria. UAC's parent company Unilever then moved its estate ambitions east to Malaysia, where conditions of trade were more welcoming. The company took with it an extensive back catalogue of research amassed in Africa and thus followed in the footsteps of Dutch planters who first carried oil palm seeds across the seas to South East Asia a century earlier.[747]

In conducting this comparative history of British Agency Houses in two former colonies, our knowledge and understanding of business growth overseas, particularly in agriculture-related industry, has been enhanced. Moreover, it perhaps delivers a valuable lesson on the importance of creating business conditions that are attractive to foreign firms to enable economic development in all nations today. Far from being a one-sided story of British commercial exploitation after imperialism, one could argue that successive Malaysian regimes effectively manipulated the Agency Houses to invest in and grow an estate industry until the government and domestic firms were in a position to take over. From a company perspective, anticipating that eventuality was key to business survival. The business history of Harrisons illustrates that final point particularly well.

[746] Unilever GB1752.LBC149, Secretary's Private file, speech by Lord Leverhulme, Liverpool, 9 July 1924.

[747] The first oil palm seeds were delivered to the Botanic Gardens of Buitenzorg in Java from Mauritius and Amsterdam in 1848. The first rubber seeds arrived at the Botanic Gardens, Singapore in 1875. See D J M Tate, *The RGA History of the Plantation Industry in the Malay Peninsula,* (Kuala Lumpur: OUP, 1996), p. 451.

Future Research

While tackling this wide-ranging comparative study of British Agency Houses in Malaysia and Nigeria, it became apparent that some subject areas could not be addressed fully. One such area was the environmental damage caused by commodity production, and particularly by oil palm estates in Borneo. This, of course, is a major area of concern for a number of non-governmental organisations (NGOs) including the World Wildlife Fund. To the industry's credit, the establishment of a Roundtable for Sustainable Palm Oil is now making significant headway, and, at the time of writing, the supply of environmentally certified palm oil now accounts for 20 per cent of total production.[748] There is some way to go, however there is certainly scope to investigate what is today an extremely contentious topic. One of those interviewed by this thesis has spent many years countering the more excessive NGO claims levelled at the industry while championing the benefits of an estate culture. In a paper entitled 'Save the Jungles', Leslie Davidson fights the corner for the industry arguing that 'oil palm presents us with the only viable way to preserve the jungles and the wildlife of Southeast Asia'.[749] Again, this is a contentious claim worthy of further investigation.

A further area not fully covered here was the significant role of FELDA in the rapid expansion of Malaysia's estate industry. This agency was instrumental in providing a means for rural people to develop economically as part of an estate industry. FELDA delivered employment and ownership rights to a vast number of previously disenfranchised indigenous people. The sheer scale of the programme since 1956 was such that, in 2012, FELDA was successfully listed on the KLSE. Another potential and purely business-focussed research opportunity lies in exploring the development of the Harrisons' business after complete withdrawal from Malaysia. This has the potential to reveal much more on the evolution of the Agency House after successful business redeployment and reinvention as a company specialising in the chemical industry. Lastly, and sadly, the whereabouts of the Guthries archives still remains a mystery. Even the last British chairman of the

[748] The Economist, 'a Recipe for Sustainability', 416, 1 August 2015. The RSPO scheme was launched in 2008 and now accounts for around 11 million tonnes of palm oil supplies globally. The rise has been largely caused by increased environmental awareness and NGO pressure applied to the western markets.
[749] Davidson, 'Save the Jungle', p. 9.

company, who sadly passed away aged 92 while I was writing this thesis, did not know where the material may have ended up. Tracking down that collection would undoubtedly add further insight into the role of British Agency Houses overseas and particularly in Malaysia.

On the Nigerian side of the story, there is scope to investigate what became of UAC's previous business assets on 'the Coast'. Again, this may prove to be a difficult line of study given that so many of those assets ended up in the hands of Nigerian politicians. Gaining access to papers or obtaining the testimony of key individuals, as this researcher discovered, could be tricky. Perhaps an easier route would be to access and review the business papers held at the government depository in Calabar. That said, any prospective researcher should first consider the reported condition of these papers (randomly stacked in boxes from floor to ceiling). However, the documents may throw light on some of the more questionable development projects that were funded by the commodity marketing boards. Again, though, that could prove problematic given some of the alleged shady deals that took place. One final, though perhaps monumental, research project would be to compare British firms that previously operated in West Africa to French firms also active there. A French Agency House mentioned in this thesis, CFAO, still operates in West Africa, and obviously survived the foreign commercial cull that forced UAC out in the early 1980s. In 2015, CFAO reported revenues of €3.56 billion, and part of that figure came from trade conducted in Nigeria.[750] That a French firm survived where UAC perished is certainly worthy of investigation and could throw up some interesting findings to add to our understanding of business development in West Africa after colonial rule.

One closing potential area for future research is inspired by a comment made by the wife of a former Harrisons' employee. She said that someone should look into the crucial role that was carried out by the British wives who accompanied husbands overseas to the estates of Malaysia and, indeed, elsewhere in the former Empire. Those women lived through extremely trying times and in living conditions that were

[750] CFAO company website, see < http://www.investisseur.cfaogroup.com/phoenix.zhtml?c=232311&p=irol-regulatoryinfocustom#>, (accessed, 1 August 2016).

challenging, to put it mildly. There, they raised children while husbands headed off into the fields. As Mrs MacKenzie said on one visit to interview her husband: 'Don't forget the wives, there is a thesis in the making on that subject'.[751]

[751] Interview with Rod MacKenzie, 10 July 2015. Rod's wife made this remark after one interview as an aside. It was a valid point to make and one that could open up an avenue for research.

Appendix A: Brief Biographies for Key Actors quoted in Thesis

Raja Tan Sri Dato Seri Utama Muhammad Alias Raja Muhammad Ali: Joined the Malaysian Federal Land Development Authority (FELDA) in 1966 and was Deputy Chairman for 35 years until his retirement in 2001.

Henry Sackville Barlow: Joined the accounts department of Barlow Boustead Estates Agency in Kuala Lumpur, was appointed financial director in 1972 and joint managing director in 1976. In 1971 he was made a partner in Thomas Barlow & Brother and in 1972 joint managing director of Highlands & Lowlands Para Rubber Co. Ltd. The company was sold to Malaysian public agencies in 1982. Henry is currently a Senior Independent non-Executive Director on the board of Sime Darby.

Hereward Corley: Former Head of Plantations Research for Unilever. He joined the Oil Palm Genetics Laboratory as a plant physiologist in 1967. Subsequently ran a joint venture tissue culture project between Unilever and Harrisons. Became Head of Plantations Research in 1983 where he remained until 1988. Since then he has been an independent consultant and is still working in the oil palm industry. He is co-author of the definitive text book, *The Oil Palm* (R. H. V. Corley and P. B. Tinker, Oxford: Blackwell, 2003, 4th edition. The 5th edition is in press with Wiley Blackwell, Oxford and should be out this year).

Leslie Davidson: Former Chairman of Unilever's Plantations Group. He arrived in Malaysia in 1951 to be employed as an Assistant Estate Manager on the UniPamol oil palm estate. In 1956 was posted to West Africa and worked in both the Cameroons and Nigeria. In 1960 was again posted out East to establish a new UniPamol estate on Sabah. Was posted back to London in 1974 and became Chairman of the Plantations Group 1983. He retired in 1991.

Marcus Gent: Former Chairman of Guthries. Spent ten years in Malaysia running all company estate and general trading interests up until the company was taken over in 1983 by Permodalan Berhad of Malaysia. He retired from Guthries in 1984.

Brian Gray: Former Senior Scientist for Harrisons & Crosfield Plantations Division. Set up the company Oil Palm Research Station at Banting, Malaysia in 1955 (now the Sime Darby Research Station). Retired from Harrisons in 1970 and joined the World Bank.

David Griffin: Former UAC Employee. David spent 36 years working in and with Nigeria. He was first posted to West Africa in 1954 as a Trading Assistant at Rivers State, in the Delta region of Nigeria. He was then posted to the Cameroons as District Manager. After some time back in London working for Corporate Planning he was again posted out to Nigeria as Corporate Planning and Development Advisor for Guinness Nigeria and shortly after joined the board for Guinness in West Africa. David spent several years working between London, Nigeria and Ghana as the company extended current breweries and build four more in West Africa. He also served on the board for Vono and Vitafoam, both associated companies of UAC. He finally came back to the UK in 1982 as Guinness Liaison Manager in UAC. He retired in 1990.

David Hopkinson: Former Chairman and Head Fund Manager in Municipal &General Investments, one of the UK's largest and longest established investment houses, with more than 80 years' experience. David specialised in the plantation sector of Malaysia and spent many years (1970-88) working in the sector which entailed countless visits to the region to scrutinise investments. In 1988 he became Chairman of Harrisons, a post he held until 1992 at which point David retired.

Roderick MacKenzie: Former Plantation Manager and Director of Visiting Agents for Harrisons & Crosfield. He joined Harrisons in 1959 as an assistant manager and over the next 30 years he managed company plantations in Malaya, Sabah and Papua New Guinea. He then joined VA department and eventually became Director of VA Services. In 1989 he was 'head hunted' by a large Indonesian company to be its Managing Director Plantations with a brief to expand the company's oil palm interests in Sumatra and Kalimantan. He then became involved in the company's expansion into the pulp and paper industry growing eucalypt and acacia species on a large plantation scale. MacKenzie remains active in the plantation industry today in a consultancy capacity for some major firms.

Tony Thomas: Former UAC Employee. He began employment with Unilever as a Messenger Boy in 1939 before joining the Royal Navy in World War II. At the end of hostilities he re-joined Unilever and served in several posts including editor of the UAC Statistical & Economic Review and Corporate Planning and eventually the Board Committee Secretariat of UAC. Tony retired in 1984.

Appendix B: Malaysian Titles

Raja is a title for Malay royalty, as is Tengku as in Tengku Mansur.

Datuk	= Knight
Tan Sri	= Lord
Tun	= possibly Duke

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