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*The ‘Unfinished Business’ of Malaysia’s Decolonisation: The Origins of the Guthrie ‘Dawn Raid’**

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Abstract

In a ‘dawn raid’ on the London Stock Exchange on 7 September 1981, the premiere British rubber and oil palm conglomerate in Malaysia, the Guthrie Corporation Limited, was taken into local control in less than four hours. This

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was the most dramatic Malaysian acquisition of a foreign company during the restructuring of the country's post-colonial economy during the 1970s and 1980s, and the Guthrie Dawn Raid remains a celebrated but, at the same time, contested juncture in contemporary Malaysian memory. Drawing upon a variety of sources—including original interviews and correspondence with key participants in, and observers of, the Guthrie Dawn Raid, as well as newly released British documents related to the Anglo-Malaysian events of September 1981—this article presents a new interpretation of the origins of this most iconic of Malaysian corporate takeovers. In particular, it stresses the long-term aspirations of a key (but often overlooked) figure within the late and post-colonial Malay bureaucratic and economic elite, Ismail Mohamed Ali. At the same time, the article emphasizes the specific requirements of Malaysia's New Economic Policy against the backdrop of burgeoning intra-Malaysian ethnic business competition.

Introduction: The Setting and the Controversy

The term 'dawn raid' refers to a surprise assault on the shares of a target company by a 'raider' soon after the opening bell of the stock market. Hence, the raider acquires a substantial shareholding without any prior notice to, or knowledge of, the target company. This was precisely what happened on the London Stock Exchange (LSE) on the morning of 7 September 1981. In less than four hours of the commencement of trading, Permodalan Nasional Berhad (PNB; the National Equity Corporation), the Malaysian government's investment agency, increased its stake in Guthrie Corporation Ltd. (GCL) from around 25% to more than 50% of the British company's 31.34 million shares, 'effectively skirting any kind of defence or battle for better terms'.¹ This shocked the senior executives of GCL, the premiere British-controlled plantation group in Malaysia.² PNB's lightning assault on GCL represented a 'nifty bit of work' for *The Economist* and a 'masterful deal' for one British broker. Another UK observer commented that Guthrie's executives had been left 'with their trousers round their ankles'. In contrast, and not surprisingly, Ian Coates, Guthrie's managing director, referred to the takeover as

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¹ 'Requiem for a rubber planter' in *Economist*, 280, 12 September 1981.

² The firm's chairman, Mark Gent, was staying in a Cambridge hotel when he heard the news of the takeover on the radio. Interview with Mark Gent, Sherborne, Dorset, UK, 19 April 2007.

'front door nationalization', while the *Financial Times* dubbed PNB's assault 'back door nationalisation'.³

This event appeared extraordinary in the context of Malaysia's post-colonial economic development strategy, which in contrast to fellow Southeast Asian states had exhibited a remarkably liberal attitude towards foreign—and especially ex-imperial—investments. In Burma, for example, nationalisation of the teak forests and other natural resources began in June 1948 within six months of independence from Britain, and by 1963 government expropriation had also spread to trading and shipping activities previously dominated by British firms. During 1957 and 1958 the Indonesian government, within eight years of independence from The Netherlands, chose a wholesale sequestration of Dutch assets and expulsion of the majority of the remaining Dutch business personnel.⁴ Yet, in Malaya/Malaysia, independence in 1957 had been followed by 13 years of acceptance and indeed welcoming of the foreign, and particularly British, business presence. As the ruling Alliance Party's election manifesto of 1969 unashamedly declared, 'we do not share the specious reasoning of many of our critics who believe that foreign capital is exploitative in character'. On the contrary, 'the foreign investor has a significant role to play in our economic advance'.⁵ After 1970, Malaysia's New Economic Policy did aim to reduce the expatriate share of the corporate economy to 30% by 1990, but this would be achieved by growth in the indigenous business sector, purchases of shares in foreign-owned companies by Malaysian private investors and negotiated transfers to Malaysian government agencies. The Guthrie

³ 'Requiem for a rubber planter', p. 81; 'Malaysia swoops for Guthrie' in *Far Eastern Economic Review* (hereafter *FEER*), 13 September 1981 cited in Jean-Jacques van Helten and Geoffrey Jones, 'British business in Malaysia and Singapore since the 1870s' in R.P.T. Davenport-Hines and Geoffrey Jones (eds), *British Business in Asia Since 1860* (Cambridge: Cambridge University Press, 1989), p. 186; 'It was a bargain for PNB, says Guthrie MD' in *New Straits Times*, 9 September 1981; 'The sun sets on Guthrie' in *Financial Times*, 8 September 1981.

⁴ Burma awaits its historian of economic nationalism, but see Nicholas J. White, 'The Diversification of Colonial Capitalism: British Agency Houses in Southeast Asia during the 1950s and 1960s' in Ian G. Cook, Marcus A. Doel, Rex Y. F. Li and Yongjiang Wang (eds), *Dynamic Asia: Business, Trade and Economic Development in Pacific Asia* (Aldershot: Ashgate, 1998), pp. 22–5. The latest study of Indonesia is J. Thomas Lindblad, *Bridges to New Business: The Economic Decolonization of Indonesia* (Leiden: KITLV Press, 2008).

⁵ Cited in Nicholas J. White, *British Business in Post-colonial Malaysia: 'Neo-colonialism' or 'Disengagement'?* (London and New York: RoutledgeCurzon, 2004), pp. 58–9.

Dawn Raid significantly broke the mould, therefore, and represented a 'watershed' event which continues to inspire and evoke nationalist sentiments in contemporary Malaysia for both the takeover itself and the daring mode in which it was executed. Notwithstanding the violence of the communist insurgency between 1948 and 1960, Malaya lacked a 'struggle for independence' since the Alliance had come to power in 1957 largely through negotiation with Britain, and its leaders shared power with British colonial officials between 1955 and 1957. Likewise, the creation of Malaysia between 1961 and 1963—involving the fusion of Malaya with North Borneo (Sabah), Sarawak and (temporarily) Singapore—had been achieved at the conference table and the ballot box rather than through non-cooperation or violent confrontation with the colonial power.⁶ The nationalist heroics of the Dawn Raid, therefore, filled this void in the nation's collective memory as a *coup de grace* to what was perceived as decades of colonial economic exploitation.

At the same time, because of the swift and secretive nature of the GCL takeover and the momentousness of this event in Malaysia's post-colonial history, the causes of the Dawn Raid remain contested. This article re-examines three principal interpretations which have been advanced to explain this dramatic Malaysianisation. The first is the argument that British business leaders' conservatism, their desire to maintain the *status quo* and their squeamishness with regard to entering the emerging world of 'crony capitalism' drove the Malaysian government to encourage complete local control of the agency houses during the 1970s and 1980s.⁷ In contrast, a second view would have it that Guthrie was a victim of deteriorating Anglo-Malaysian government relations and the specific policies pursued by Dr. Mahathir Mohamad who became prime minister of Malaysia in July 1981.⁸

⁶ See A. J. Stockwell, 'Introduction' in A. J. Stockwell (ed.), *Malaya, Part I: The Malayan Union Experiment, 1942–1948* (London: HMSO, 1995), pp. xxxi–lxxxiv; idem., 'Introduction' in A. J. Stockwell (ed.), *Malaysia* (London: The Stationery Office, 2004), pp. xxxv–xcv.

⁷ Nicholas J. White, *Business, Government, and the End of Empire: Malaya, 1942–1957* (Kuala Lumpur: Oxford University Press, 1996), p. 279; idem., 'The beginnings of crony capitalism: Business, politics and economic development in Malaysia, c. 1955–70' in *Modern Asian Studies*, 38, 2 (June 2004), pp. 405–11; idem., 'The survival, revival and decline of British economic influence in Malaysia, 1957–70' in *Twentieth Century British History*, 14, 3 (2003), pp. 238–40; idem., *Post-colonial Malaysia*, pp. 67–8, 214–7.

⁸ Roger Kershaw, 'Anglo-Malaysian relations: Old roles versus new rules' in *International Affairs*, 59, 4 (Autumn 1983), pp. 640–1; Chew Huat Hock, 'Changing directions in foreign policy trends: A comparative analysis of Malaysia's bilateral

Finally, and more persuasively (as will be argued), the Dawn Raid can be viewed as a logical outcome of Malaysia's New Economic Policy (NEP) and the longer-term aspirations of a key figure within the Malay elite, Tun Ismail Mohamed Ali, the former governor of Malaysia's central bank—Bank Negara—and the chairman of PNB from 1978 to 1998. The Guthrie takeover, therefore, tells us much about what Tim Harper has called the 'unfinished business' of *merdeka* (independence)⁹—in this case, despite constitutional independence for the Federation of Malaya in 1957 and the creation of Malaysia six years later, the Malay(si)an economy remained dominated by foreign (and especially British) companies, and, concurrently, the widely held belief that there remained a perilous economic imbalance between *bumiputera* (Malay and other 'indigenous' Malaysians) and non-*bumiputera* communities.

This article can provide a more objective and searching analysis of these issues given its interrogation of the currently available primary sources. Unfortunately, the directly relevant government papers—in both Malaysia and Britain—are not yet in the public domain. Meanwhile, the Guthrie archives at the School of Oriental and African Studies, London, consist of a few ledger books and marketing records rather than high-level policy-making material. There was, however, rich commentary on the Dawn Raid in contemporary magazines, journals and newspapers, and these have been revisited and reassessed. Moreover, under the UK government's Freedom of Information Act, access was granted to the Bank of England files which deal with the raid and its aftermath. More importantly still, this archival material has been supplemented by interviews and correspondence with key participants on both the Malaysian and British sides.

In the course of the authors' research, the Dawn Raid became a live issue once again in Malaysia in the context of 50 years of *merdeka*. A war of words broke out during the April 2007 Ijok by-election, when the candidate for the opposition Parti Keadilan Rakyat (formerly known as the National Justice Party, thereafter People's Justice Party) and chief investment officer of PNB in 1981, Abdul Khalid Ibrahim (now

relations with Britain and Singapore in 1981' in *Contemporary Southeast Asia*, 4, 3 (December 1982), pp. 351–3; Khoo Boo Teik, *Paradoxes of Mahathirism: An Intellectual Biography of Mahathir Mohamad* (Kuala Lumpur: Oxford University Press, 1995), pp. 54–7.

⁹ T. N. Harper, *The End of Empire and the Making of Malaya* (Cambridge: Cambridge University Press, 1999), p. 341.

the chief minister of Selangor), expressed nationalistic joy and pride at having been a key actor in the Dawn Raid. However, Khalid's recollections were immediately disputed by Deputy Prime Minister Najib Abdul Razak, claiming that Khalid had neglected to mention the role of Najib's late father, Tun Abdul Razak (the prime minister of Malaysia, 1970–1976) in the GCL takeover, and that as chief executive officer between 1995 and 2003 Khalid had attempted to exploit the reconstructed Guthrie Berhad as a vehicle for his own personal enrichment. As Khalid retorted, Tun Razak had passed away five years before the swoop on GCL. Nevertheless, Khalid's credentials in 'bringing Guthrie back home' were also challenged by Mohamad Desa Pachi, the first general manager and chief executive of PNB (1978–1982) and member (albeit 'non-active') of the United Malays National Organisation (UMNO), the dominant political party in Malaysia's ruling coalition. Desa Pachi claimed that the leading role of other PNB executives had been overlooked in Khalid's recollections.¹⁰

The 'Conservatism' of the Guthrie Group

Guthrie was an exemplar British agency house, tracing its origins to the early nineteenth century. The agency houses became the Southeast Asian agents for European, usually British, manufacturers and, at the same time, marketed the primary exports of the region in the West. The commerce in goods, however, was only one of the functions of the agency house. From the 1900s, the traders also took on what would prove a more significant and profitable role as promoters and as the managing agents of direct investments in commodity production, particularly rubber.¹¹ Of the dozen or so agency houses that continued to dominate the commanding heights of the Malayan (peninsular Malaysian) economy at the time of *merdeka* (independence)

¹⁰ 'Najib dead wrong on Guthrie's history' in *Malaysiakini*, 25 April 2007; 'Bukan Khalid Bawa Balik Guthrie' (Khalid did not bring Guthrie back) and 'Khalid Perlu Cakap Benar—TPM' (Khalid Needs to Tell the Truth—DPM) in *Utusan Malaysia*, 22 and 23 April 2007; 'Najib: Khalid wanted bigger stake in Guthrie' in *The Star*, 27 April 2007; Interview with Tan Sri Desa Pachi, Kuala Lumpur, 12 September 2007; Desa Pachi to Shakila Yacob, 20 May 2008.

¹¹ Nicholas J. White, 'AGENCY HOUSES, European' in Ooi Keat Gin (ed.), *Southeast Asia: A Historical Encyclopedia, From Angkor Wat to East Timor* (Santa Barbara, CA: ABC-Clio, 2004), Vol. 1, pp. 127–8.

in 1957, Guthrie remained the most prestigious.¹² Through a group of supposedly 'free standing' companies, usually chaired by Guthrie's truculent Scottish managing director, Sir John Hay, the agency house oversaw some 150,000 acres of planted rubber, palm oil and tea, plus two tin mines—an investment stake in Malaya estimated at M\$300 million (about £35 million) in 1958. The firm also continued to maintain a significant merchanting business, worth over £600,000 annually to Guthrie at the beginning of the 1960s.¹³

Throughout the 1960s, British firms in Malaysia preserved a large stake in the key sectors of the economy—not necessarily because of a 'neo-colonial' decolonisation deal between Britain and Malaya/Malaysia but thanks primarily to the reluctance of the latter's first prime minister, Tunku Abdul Rahman, to pursue a more nationalistic economic policy in the interest of maintaining foreign investor confidence and the allegiance of powerful Malayan/Malaysian Chinese entrepreneurs-cum-politicians.¹⁴ As late as 1970, it is estimated that over 60% of Malaysian corporate assets were still owned by foreigners, and of that non-Malaysian stake two-thirds remained British-controlled.¹⁵ Under such circumstances, Guthrie had managed to increase its plantation holdings in Malaysia to approximately 175,000 acres by the beginning of the 1970s and to 194,000 acres of rubber, oil palm, cocoa and tea estates by 1981.¹⁶

¹² The standard text on the development of the Guthrie group is Sjovald Cunningham-Brown, *The Traders: A Story of Britain's South-East Asian Commercial Adventure* (London: Newman Neame, 1971). See also the relevant pages of Geoffrey Jones, *Merchants to Multinationals: British Trading Companies in the Nineteenth and Twentieth Centuries* (Oxford: Oxford University Press, 2000); D. J. M. Tate, *The RGA History of the Plantation Industry in the Malay Peninsula* (Kuala Lumpur: Oxford University Press, 1996); G. C. Allen and A. G. Donnithorne, *Western Enterprise in Indonesia and Malaya: A Study in Economic Development* (London: Allen & Unwin, 1957); and, J. H. Drabble and P. J. Drake, 'The British Agency Houses in Malaysia: Survival in a Changing World' in *Journal of Southeast Asian Studies*, 12 (1981), pp. 297–328. On one of the group's key plantation companies, see C. N. Parkinson, *The Guthrie Flagship: United Sua Betong* (edited and abridged by J. M. Gullick) (Kuala Lumpur: The Malaysian Branch of the Royal Asiatic Society, 1996).

¹³ White, *Post-colonial Malaysia*, pp. 4–5.

¹⁴ The central argument as per *ibid.*

¹⁵ van Helden and Jones, 'British business', p. 184; Junid Saham, *British Industrial Investment in Malaysia, 1963–71* (Kuala Lumpur: Oxford University Press, 1980), p. 14 n. 23.

¹⁶ N. J. Funston, *Malay Politics in Malaysia: A Study of the United Malays National Organisation and Party Islam* (Kuala Lumpur: Heinemann, 1980), p. 8; 'Out of the doldrums' in *FEER*, 26 June 1981.

Under Hay, the Guthrie group was highly efficient, pioneering diversification from rubber into oil palms, the production of concentrated rubber latex, the replanting (and new planting) of estates with selected high-yielding strains of rubber and the scientific use of fertilizers and cover crops. Yet, Sir John was opposed to diversification into manufacturing industries and into countries other than Malaysia, essentially arguing that Guthrie's competitive advantage lay in its expertise in managing Southeast Asian plantations—a specific skill which was not transferable to other activities or parts of the world. This stubbornness in an era of intense competition from synthetic substitutes for both rubber and palm oil, as well as Hay's age (he was born in 1883) and his reluctance to prepare for a less acerbic successor, led to Sir John's unceremonious deposition during 1963. His fellow directors, Bank of England officials and City of London investors combined to overthrow Hay, fearing that substantial British assets could easily fall prey to takeover bids from Malaysian interests supported by American financiers.¹⁷ Sir John quite literally died of a broken heart in 1964. His successor as chief executive, Sir Eric Griffith-Jones (a former civil servant far more amenable to the 'gentlemanly capitalists' of the City) was concerned by the uncertainty induced by Singapore's expulsion from Malaysia in 1965, the dangers of communal violence and low rubber prices in the late 1960s. Hence, Griffith-Jones initiated a strategy of diversification into a variety of manufacturing industries in the United Kingdom, the United States, Australia and South Africa.¹⁸ But these new ventures were not particularly fruitful and, at the time of the PNB takeover in 1981, the core plantation business still produced 80–90% of group profits.¹⁹

¹⁷ Nicholas J. White, 'British business groups and the early years of Malayan/Malaysian independence' in *Asia Pacific Business Review*, 7, 2 (Winter 2000), p. 157; idem., 'Diversification of Colonial Capitalism', p. 21; Bank of England Archive, Threadneedle Street, London (hereafter BoE), G1/183, Governor's Note of Conversation with Mr. G. L. C. Touche (Chairman of the Association of Investment Trusts); note by L. P. Thompson-McCausland for Mr. O' Brien and the Governor, 14 October 1963; Sir Eric Griffith-Jones to Lord Cromer, 30 July 1964.

¹⁸ White, *Post-colonial Malaysia*, pp. 45, 129, 170; Cunyngnam-Brown, *Traders*, pp. 308, 313–4; Drabble and Drake, 'Agency Houses', p. 318.

¹⁹ Note by J. M. Gullick enclosed in J. M. Gullick to Shakila Yacob, 26 April 2007. The former colonial civil servant, John Gullick, was company secretary at Guthrie's London Office between 1959 and 1962, London solicitor to GCL between 1966 and 1973 and subsequently a non-executive director of GCL between 1973 and 1982.

In 1968, Dr. Leslie Bateman, Malaysia's rubber research supremo, reported to UK Ministry of Overseas Development officials that Guthrie was 'the most far-sighted' of the plantation agencies in Malaysia but the firm's executives combined their entrepreneurial dynamism 'with a lack of appreciation of the political and psychological realities'; Malaysians did 'not like being patronised'.²⁰ Indeed, the firm had developed a reputation for defensiveness and obstructionism: Sir John Hay, for example, had opposed government replanting schemes for Malay smallholders, as well as officially recognized moderate trade unions, in the late colonial period.²¹ Among the agency houses, Guthrie had pioneered an on-the-job training scheme to Malaysianise the management of its plantations after 1954, and, by the mid-1960s, was offering scholarships for Malaysian assistants to undergo further training either locally, in the United Kingdom or in The Netherlands. Combined with increasing government restrictions being placed on the employment of expatriates during the 1960s and 1970s, this meant that, by 1981, the management staff on the Guthrie estates was entirely Malaysian. However, the Kuala Lumpur head office still retained expatriates in a handful of key supervisory posts such as planting and engineering advisors and in the management of group affairs.²²

Indeed, on the question of ownership and control, the ghost of Hay continued to inform Guthrie's executives in London. In 1958, Hay had appraised shareholders and the Malayan press on the need for 'free economic cooperation' between Malaya and Britain. In other words, despite political independence, minimal changes should be made to the long-established colonial export economy—capital should be allowed to flow unimpeded within the Commonwealth and head offices (and the ultimate control of investments) should continue to reside in the City of London.²³

²⁰ The National Archives, Kew, London (hereafter TNA), OD 39/136, note of meeting at the Ministry of Overseas Development, 15 August 1968.

²¹ White, *End of Empire*, pp. 208–9; idem., 'The limits of late-colonial intervention: Labour policy and the development of trade unions in 1950s Malaya', in *Indonesia and the Malay World*, 36, 106 (November 2008), p. 433.

²² Gullick note, 26 April 2007; Tate, *RGA*, p. 597, n. 37; Arkib Negara Malaysia (hereafter ANM), H. F. O' Brien Traill papers, SP 95/B/12, note on training schemes etc., 14 June 1966, enclosed in 'Note of a Discussion on Malayanisation, United Planting Association of Malaysia Proprietors' Section Meeting, 15 July 1966'; White, *Post-colonial Malaysia*, pp. 74–7; Drabble and Drake, 'Agency Houses', pp. 321–2.

²³ White, *Post-colonial Malaysia*, p. 87.

From the mid-1960s, the new chief executive, Griffith-Jones, as advised by the merchant bankers, Baring Brothers, did seek to make major changes in Guthrie's organisation. Up until then, the Guthrie group of plantation companies retained its original structure as a group of separate operating units. The holding company, Guthrie & Company, was registered in Singapore with the board of directors in London enjoying *de facto* authority. The group of plantation companies was unified through sharing a common management provided by Guthrie & Company and interlocking sets of directors who also made up the Guthrie board. In 1961, Guthrie's trading and estate agency businesses had formally separated. The former continued as the Singapore-registered Guthrie & Company (and during 1968–1969 merged with Henry Waugh Limited, the Jardine Matheson subsidiary, to form Guthrie-Waugh Limited, and returned to full Guthrie control as Guthrie Berhad in 1972–1973). In the far more important latter, the plantation companies took over the management service from Guthrie & Company and shared its ownership in the Guthrie Estates Agency Limited, registered in the United Kingdom with a local subsidiary, Guthrie Agency (Malaya) Limited. In 1965, the plantation group was further rationalized when the 14 estate companies merged into a new parent company, the London-registered GCL.²⁴ Although publicly justified on grounds of economies of scale and administrative efficiency, the formation of GCL was primarily motivated by a fundamental fear of losing financial control. The main concern in the 1960s was that more loosely controlled and undervalued individual plantation companies were vulnerable to takeover through Malayan/Malaysian Chinese speculators acquiring large shareholdings. In particular, the Malayan/Malaysian Chinese Association senator, Lee Loy Seng, was beginning a process of acquisitions which would see him emerge by the 1970s as one of the country's largest rubber plantation owners.²⁵

When Griffith-Jones reorganized the Guthrie group during 1965, he notified the Bank of England that some 'Malaysianisation' would be required and 'must be put in hand soon'. It was not his intention, however, to 'peddle out shares' in Malaysia. Rather, Guthrie's new boss intended to group together a separate unit of lands and estates

²⁴ Drabble and Drake, 'Agency Houses', pp. 314, 316–7; Gullick note, 26 April 2007.

²⁵ Edmund Terence Gomez, *Chinese Business in Malaysia: Accumulation, Accommodation and Ascendance* (London: Curzon, 1999), pp. 157–8.

selected from several of the Guthrie rubber and oil palm companies, and turn this into a locally registered concern with a strong Malaysian element in the management and on the board. However, ultimate financial control would still reside with GCL in London since no more than 49% of the Malaysian subsidiary's shares would be offered locally.²⁶

This strategy might have appeared more palatable to the Malaysian regime had Griffith-Jones's scheme for Tun Dr Ismail bin Datuk Haji Abdul Rahman (a former minister of Commerce and Industry) to head the new GCL subsidiary in Kuala Lumpur remained permanent. Dr. Ismail did chair the new Malaysian concern from 1967, but, despite 'earning a salary three times' that of a cabinet minister, Ismail returned to government office as Minister of Home Affairs following the political crisis induced by the May 1969 ethnic riots in Kuala Lumpur.²⁷ Instead, Mark Gent, the son of Sir Edward (the ill-fated first and last governor of the Malayan Union), became head of GCL's operations in Kuala Lumpur after 1969. Gent had worked in Guthrie's London office from 1952, and would become chairman of GCL after Griffith-Jones's death in 1979.²⁸ It fell to Gent, therefore, to implement the Griffith-Jones financial scheme, designed to appease Malaysian economic nationalism but without surrendering ultimate control from the City. This was known as Guthrie Ropel, and it involved the gradual transfer of shares to Malaysian interests—amounting to 40% by 1990—through the division of the GCL constituent companies into six locally registered block subsidiaries organized by locality. Guthrie Ropel Sendirian Berhad was first registered in 1966, and the initial step was to transfer one block into a Malaysian subsidiary of Guthrie Ropel, and then offer 40% of the shares of that subsidiary to Malaysian investors on the Kuala Lumpur Stock Exchange (KLSE). Concurrently, Malaysian dignitaries—often ex-civil servants and politicians—would join the board of the subsidiary to represent the local stockholders. When the first stage was successfully completed

²⁶ BoE, ADM 14/82, note for the Governor and the Deputy Governor by L. P. Thompson-McCausland, 10 March 1965.

²⁷ Drabble and Drake, 'Agency Houses'; Ooi Kee Beng, *The Reluctant Politician: Tun Dr Ismail and His Times* (Singapore: ISEAS, 2006), pp. 171, 181; Tunku Abdul Rahman, *Looking Back: Monday Musings and Memories* (Kuala Lumpur: Pustaka Antara, 1977), p. 171. Race riots broke out on 13 May 1969 in Kuala Lumpur after 'victory' processions and counter-processions in the immediate aftermath of the gains made by opposition parties in the general election.

²⁸ Mark Gent to Nicholas J. White, 21 April 2003.

and running smoothly, the process would be repeated with another group of estates, passing to what would become a partly Malaysian-owned Guthrie subsidiary. When the whole operation was completed, 40% of the ultimate ownership (30% *bumiputera*, 10% other Malaysian) would be in local hands. In 1974, 26% of the equity in Guthrie Ropel (which by then owned about one-sixth of the group's planted area) was finally placed with the Malaysian public, and three years later a further 15% was offered to approved *bumiputera* individuals and institutions, thus giving Malay interests the intended 30% of issued capital. The plan thereon was to transfer the remaining 150,000 acres to Guthrie Ropel by 1990.²⁹ But, crucially, the steadfast intention of the Guthrie board was that 60% of ownership would still reside in the hands of GCL's shareholders. Meanwhile, as Henry Barlow, formerly head of his family's plantation business in Kuala Lumpur and until recently a director of Guthrie Ropel, discovered subsequently, the initial lands transferred were the worst of the agricultural estates, a high proportion of which were on hilly land. This also laid the sincerity of GCL's Malaysianisation plans open to question.³⁰

Guthrie Ropel had been planned with the cognisance and approval of Ismail Ali, as head of Bank Negara.³¹ But the determination of the London board to maintain control increasingly conflicted with Malaysian economic aspirations. Indeed, as Malaysia's *Business Times* opined on 17 December 1980:

It is a clearly and firmly stated objective of official policy that the Malaysian stake in resource-based enterprise like plantations and agro-industry must go up to 70 per cent. Guthrie's restructuring falls far short of this target, and Malaysian institutions may understandably want to see that this group is made to fall into line.

This was indeed manifest in the early months of 1979 when an attempt to take over GCL was mounted by Sime Darby, the former British agency house by then under the control of the government-controlled Perbadanan Nasional Berhad (PERNAS; the National Trading Corporation).³² This was resisted but Sime Darby was left

²⁹ Gent interview, 19 April 2007; Gullick note, 26 April 2007; Drabble and Drake, 'Agency Houses', pp. 318, 323.

³⁰ Interview with Henry Barlow, Kuala Lumpur, 17 November 2007.

³¹ Letter from Gent to Shakila Jacob, 21 April 2007.

³² Controlled by the Ministry of Finance Incorporated, the Malaysian Treasury's holding company, PERNAS, was under the presidency of Tengku Razaleigh Hamzah, who was Minister of Finance at the time of the Dawn Raid.

with a near 30% stake. An expected re-bid never materialized, but as Sime Darby saw its holdings diluted by other Guthrie takeover bids, it sold its interests to other Malaysian investors, notably 25% to PNB in December 1980.³³ Concurrently, GCL was divesting from Malaysia as a hedge against another possible takeover bid: by the latter half of 1980, the board in London was searching round for possible acquisitions of US\$100 million in North American heavy industry, while also developing 40,000 acres of plantations on the islands of Hainan (China) and Mindanao (The Philippines). Meanwhile, 58,000 acres had been acquired in Liberia, including 18,000 acres of planted rubber from B. F. Goodrich of the United States. At the same time, Nigeria was being targeted for plantation joint ventures, while GCL had bought an investment trust and a fire-fighting equipment firm in the United Kingdom. Moreover, GCL sold its 73% stake in Guthrie Berhad. Guthrie director, Bernard Lewis, may have publicly welcomed the change of shareholder from Sime Darby to PNB in 1980.³⁴ But, as PNB chairman, Ismail Ali, told the press in September 1981, he had been deeply unhappy with this geographical diversification—despite being the leading minority shareholder, PNB had been denied board representation and had not been consulted on the divestment strategy. Hence, the Dawn Raid was launched to 'preserve the Guthrie group's Malaysian involvement and its presence in Southeast Asia'.³⁵

It is easy, therefore, to argue that Guthrie and indeed other British agency houses in Malaysia ultimately 'failed' by not fully embracing the possibilities of a post-colonial, Commonwealth economic partnership. However, if entrepreneurial conservatism was the root cause of the Dawn Raid, then the UK agency house most likely to have been targeted by PNB in September 1981 was Guthrie's archival in the Malaysian plantations, Harrisons & Crosfield (H&C). Mark Gent recalls that the governor of Bank Negara, Ismail Ali, was 'always civil to Eric [Griffith-Jones] and myself' (although 'in a rather sphinx-like way' and before meetings Griffith-Jones and Gent were 'nearly always' 'kept waiting outside his office for ½ an hour'). By contrast,

³³ 'Requiem for a rubber planter', 12 September 1981.

³⁴ Gullick note, 26 April 2007; Gent interview, 19 April 2007; 'A respite, not a reprieve' and Hugh Peyman, 'Plantation giants eye new conquests' in *FEER*, 19 and 26 December 1980; Barlow interview, 17 November 2007; Abdul Khalid Ibrahim, 'Business investments and growth' in *Malaysian Management Review*, 20, 2 (August 1985), pp. 11–18; Chew, 'Changing directions', p. 352; Interview with Tan Sri Abdul Khalid Ibrahim, Petaling Jaya, Malaysia, 2 November 2007.

³⁵ 'PNB launches go1p a share bid for Guthrie' in *Business Times*, 8 September 1981.

however, Ismail 'would never talk to H&Cs', an antipathy apparently based upon Finlay Gilchrist, H&C's chairman from 1962 to 1977, 'never visiting Malaysia and calling on him [Ismail]'.³⁶ Harrisons was 'deeply resented' by leading *bumiputera*, given its intransigent attitude towards Malaysianisation. Whereas GCL had at least devised the Guthrie Ropel scheme, Harrisons in the early 1980s was still in negotiation for the Malaysianisation of its major subsidiary, Harrisons Malaysian Estates (in which H&C held 80% of the shares), discussions which had been going on since 1976. PNB held only about 8% of H&C in 1981 compared to one quarter of Guthrie.³⁷

As Khalid Ibrahim has revealed, the principal reason why Guthrie was targeted in 1981 was the dispersed pattern of GCL's ownership, involving a number of share blocks which were easily identified and could be negotiated with either by PNB directly or by the London merchant bank, N. M. Rothschild & Sons Ltd., acting on PNB's behalf. Moreover, a number of those blocks were held by parties 'friendly' with PNB. With the 25% which PNB already held, acquisition of these congenial holdings would allow the investment agency to control over 40% of GCL's equity, and hence the London board.³⁸ These pro-PNB interests were Genting Berhad (through building up a casino and resorts business from the 1960s, Genting's chief executive, Lim Goh Tong, necessarily developed a close relationship with successive Malaysian prime ministers, and it was partly through sales from Genting that PNB had earlier picked up 8% of H&C's shares); Bank Simpanan Nasional (Malaysia's national savings bank under Finance Minister Tengku Razaleigh Hamzah); the Kuwait Investment Office (Ismail Ali was also head of Malaysian-Kuwaiti Investment); and the Oversea-Chinese Banking Corporation (OCBC) (which in remaining a 'neutral' shareholder had permitted PERNAS to secure control of Sime Darby in 1976).³⁹

As it turned out, the OCBC chairman, Tan Chin Tuan, decided not to sell his bank's block of Guthrie shares despite a long, late lunch

³⁶ Letter to White, 21 April 2003.

³⁷ 'A respite, not a reprieve: Sime Darby gives up its chase of Guthrie Corporation and pockets a healthy profit in the process' and 'Out of the doldrums' in *FEER*, 19 December 1980 and 26 June 1981.

³⁸ Interview with Khalid Ibrahim, 2 November 2007; Leela Barrock, 'When the big boys came home', *Merdeka Special* in *The Edge*, 3 September 2007, pp. 30–31.

³⁹ 'Genting group: Farewell to our founder: Tan Sri Dato Seri (Dr.) Lim Goh Tong' in *New Straits Times*, 26 October 2007; 'Out of the doldrums', 26 June 1981; Gomez, *Chinese Business*, pp. 49–58.

with Ismail Ali in Singapore on 7 September to coincide with the opening of the exchange in London. However, the other Kuwaiti and Malaysian 'friendly' shareholders did agree to sell, while, in London, Rothschilds was able to secure the support of the M&G Investment Trust, which held 11% of GCL. M&G (in conjunction with the K. C. M. G. Anderson Trust, holding 16–17% of GCL)⁴⁰ had scuppered the Sime Darby takeover attempt on GCL in 1979, arguing that the bid of 523.75p per share was too low.⁴¹ M&G was hoping for £10–11 per share back in 1979–1980, but something between this figure and £7.25 following Sime Darby's sale of Guthrie shares to PNB. Performance-conscious M&G kept a close watch on its investments and Mark Gent was visited several times in Malaysia during the 1970s by the investment trust's managing director, David Hopkinson. Gent was aware that Hopkinson had been approached to sell his holding, and Hopkinson's response was that M&G was not a seller below £9 a share. Hence, it is no coincidence that PNB's offer price on the morning of 7 September was £9.01.⁴² With the 5% purchased for PNB from small shareholders by the brokers Rowe & Pitman on the ringing of the LSE's opening bell, this ensured that by midday on 7 September PNB had just about achieved majority control of GCL. The principal remaining British shareholders—the Anderson Trust, Barings and Save & Prosper—were left out in the cold.⁴³

In contrast, H&C was much more tightly controlled, with, for example, a large slab of shares owned by the Scottish Widows pension fund, and Khalid Ibrahim had been cautioned by Rothschilds that he would have to consume vast quantities of whiskey if PNB's investment

⁴⁰ Keith Anderson, a former chairman of Guthrie & Company, was the third son of Sir John Anderson, who had become a partner in the Singapore agency house in 1876 and its senior partner and majority owner after 1902. With the assistance of Sir John Hay in London, Sir John Anderson had been the dominant influence upon Guthrie's diversification into the promotion and management of rubber companies. Cunningham-Brown, *The Traders*; John Orbell, 'Anderson, Sir John (1852–1924)', *Oxford Dictionary of National Biography* (Oxford: Oxford University Press), 2004 [<http://www.oxforddnb.com/view/article/52622>, accessed 8 April 2008].

⁴¹ 'Guthrie: What happens now?' and 'PNB launches 901p a share bid for Guthrie' in *Business Times*, 17 December 1980 and 8 September 1981.

⁴² 'A respite, not a reprieve', 19 December 1980; Gent to White, 11 November 2007. Khalid had calculated that it was futile approaching Save & Prosper, the other UK investment trust holding substantial shares in GCL, because its directors were considered too 'anglophile'. Barrock, 'When the big boys came home', 3 September 2007, pp. 30–31.

⁴³ 'Requiem for a rubber planter', 12 September 1981.

manager had any chance of concluding a deal in Edinburgh!⁴⁴ Moreover, one London broker had told the *Far Eastern Economic Review* (*FEER*) in December 1980 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’.⁴⁵ GCL was also attractive to PNB because it held prime properties for industrial and residential development outside of Kuala Lumpur along the Klang Valley: as Khalid appreciated at the time, by increasing the value of Guthrie land by 20–30% PNB would be able to recoup its purchase price of £282 million.⁴⁶

It should also be appreciated that the GCL management was faced with an impossible dilemma. Necessarily, the Guthrie board had obligations to its existing British shareholders. As John Gullick, a non-executive director of GCL in 1981, has explained:

The GCL directors were willing to facilitate a substantial Malaysian participation in the ownership of the Guthrie group. But as directors of a UK public company they deemed it essential to retain majority control of its enterprise, if only at a level of 51 per cent. To go further than that would require the approval of GCL shareholders in a general meeting, and the directors were unwilling to recommend such a policy to shareholders, since they did not think that retaining only a minority stake would be satisfactory.⁴⁷

Ranked 68 out of the top 100 British companies on the LSE in September 1981, GCL shares were also well worth hanging on to.⁴⁸

At the same time, GCL’s diversification strategy should be contextualized and rationalized. The group did have plans to develop new plantations in partnership with state development corporations in both peninsular and East Malaysia, but, as the *FEER* appreciated, plantation companies had not been able to expand their acreage in Malaysia since the early 1970s. There was no official policy barring land alienation to non-Malaysians: ‘The answer has never been no when such projects have been proposed—it simply has never been yes’. The only alternative—again to meet shareholder obligations—was to expand outside Malaysia. Yet, it was precisely the GCL board’s strategy of diversifying with capital earned in Malaysia that

⁴⁴ Interview with Khalid Ibrahim, 2 November 2007.

⁴⁵ ‘A respite, not a reprieve’, 19 December 1980.

⁴⁶ Interview with Khalid Ibrahim, 2 November 2007; ‘When the big boys came home’, 3 September 2007.

⁴⁷ Gullick note, 26 April 2007.

⁴⁸ Gent interview, 19 April 2007.

provided the *casus belli* for PNB to move against Guthrie.⁴⁹ Nor did GCL necessarily stall its Malaysianisation strategy: when Gent first mooted the Ropel scheme in mid-1969 (notably two years ahead of the beginning of the NEP), a 'big bang' flotation of 40% on the KLSE was blocked by Governor Ismail on the grounds that 'it was too big for the market to swallow' at that juncture. Hence, to avoid overloading the local capital market, GCL had to proceed slowly through six stages. Subsequently, Gent recalls being told by various ministers and officials 'on a number of occasions' that organisations already operating in Malaysia did not need to 'do anything': the NEP was merely intended to apply to new investment, but anything that existing enterprises were able to do to increase Malay participation would be appreciated.⁵⁰ The board was 'indignant', therefore, when in the course of 1980 PNB proposed to GCL that the investment agency should acquire a 51% shareholding in a single Malaysian subsidiary of GCL to which all the estates would be transferred. This was a unilateral repudiation of the scheme negotiated previously with Ismail Ali as governor of Bank Negara, and already partly implemented.⁵¹ Perhaps, then, it is better to locate the causes of the Dawn Raid within the 'bigger picture' of Anglo-Malaysian relations in the early 1980s.

Mahathir, Thatcher and a Breakdown in Anglo-Malaysian Relations

Ismail Ali, the chairman of PNB in September 1981, was Mahathir Mohamad's brother-in-law. There remains an obvious suspicion that this relationship may have constituted a significant influence on PNB's resolve to take over GCL. Mahathir had been educated in the English language at the University of Malaya (in Singapore), but he

⁴⁹ 'Plantation giants eye new conquests' and 'The buyers are willing, the sellers are weak' in *FEER*, 26 December 1980 and 2 October 1981.

⁵⁰ Letter to Nicholas J. White, 11 November 2007.

⁵¹ Gullick note, 26 April 2007. The position of large public companies such as GCL and H&C was quite different to the Danish United Plantations group, which was largely family-owned, was relatively small and geographically concentrated in Perak and was able to come to terms with a Malaysian controlling interest after 1982. See Susan Martin, *The UP Saga* (Copenhagen: NIAS Press, 2003), pp. 116–7, 234–6, 255–8; idem., 'European Plantation Firms and Malaysia's New Economic Policy since 1970', paper presented at the International Economic History Congress, University of Helsinki, August 2006, Session 94: Foreign Companies and Economic Nationalism in the Developing World after World War Two.

‘never socialized in the British tradition’.⁵² The first non-smoking, non-drinking and non-golfing Malaysian prime minister had limited sympathies for Britain unlike his predecessors, Tunku Abdul Rahman, Abdul Razak and Hussein Onn, who were of aristocratic lineage, had been educated in the United Kingdom and retained ‘nostalgic memories of youthful days in the halls of English inns of court’.⁵³ Through his own admission, Mahathir had no British friends.⁵⁴ According to Gent, Mahathir ‘had a big chip on his shoulder’ and ‘this accounted for a part of the problem between Britain and Malaysia at the time of the dawn raid’.⁵⁵ As early as 1966, as a back-bench MP, Mahathir had criticized the ‘old lion’ whose ‘Empire, the blissful source of booty, is now disappearing’ in the *Dewan Ra’ayat* (the lower house of the Malaysian parliament).⁵⁶ *The Malay Dilemma*, Mahathir’s polemical book first published in 1970 (which was banned in Malaysia and resulted in his expulsion from UMNO), has a reputation as a Malay chauvinist, anti-Malaysian Indian and anti-Malaysian Chinese text. Yet, ‘the only ethnic group towards which *The Malay Dilemma* was unmistakably hostile was the British’, holding the colonials ‘primarily responsible for aggravating the economic backwardness of the Malays when their liberal immigration policy in the late nineteenth and early twentieth centuries swamped Malaya with immigrants from India and China’.⁵⁷ At the same time, Mahathir lambasted what he saw as a corrupt and decadent colonial capitalism:

... It is true that British firms ... were favoured by the [colonial] Government, but this was not a stated policy. Usually this help took the form of large contracts negotiated not officially but over whiskies in the various exclusive clubs in the country ...

... [As such] there was no real competition between the British firms and the local firms. The British firms were protected, not legally but by race loyalty and chauvinism. The British businessmen and the British administration together ensured that certain businesses remained in British hands ... Independence in 1957 put an end to British monopoly, but the Chinese

⁵² Chew, ‘Changing directions’, p. 357.

⁵³ ‘A message from Mahathir’, *FEER*, 25 September 1981.

⁵⁴ Interview with Tun Dr Mahathir Mohamad, Kuala Lumpur, 17 July 2007.

⁵⁵ Gent to Shakila Yacob, 21 April 2007.

⁵⁶ Cited in Khoo, *Paradoxes*, p. 90, n. 15.

⁵⁷ Kershaw, ‘Anglo-Malaysian relations’, p. 630; Chew, ‘Changing directions’, p. 358.

became the principal beneficiaries. In a plural Malaysian society this can hardly be regarded as fair⁵⁸

This disenchantment with things British was exacerbated by Mahathir's interactions with the UK prime minister, Margaret Thatcher, whose government had in 1979 withdrawn subsidies for Malaysian students wishing to study at British universities (as part of the general monetarist policy of reducing UK public spending and emblematic of the economic disengagement from the Commonwealth in favour of the European Economic Community). For the 17,000 Malaysian students still studying in UK institutions in 1981, however, this amounted to a 20% hike in fees and at a juncture when the nascent Malaysian higher education sector could not provide sufficient places for the large number of applicants. The Guthrie takeover was, therefore, regarded as retaliation for this Scrooge-like British government action. Mahathir let it be known to his opposite number in London how the withdrawal of student subsidies would ultimately be to Britain's loss. The Malaysian premier outlined the potential ramifications in terms of government procurement orders, consultancy services and loss of the Malaysian market to the British higher education industry. Britain stood to lose its early mover advantages since old ties would be destroyed and new ties would not be given a chance to develop. Malaysian students pursuing their tertiary education in the United States, Japan and Korea would forge new alliances that would eventually lead to new directions in business and economic relations.⁵⁹ The student fees issue was compounded in March 1981 by the *faux pas* of Britain's new High Commissioner to Malaysia, William Bentley, when at his first press conference in Kuala Lumpur Bentley lectured his audience on how the United Kingdom had expended 'not only money but lives and blood on Malaysia in ensuring that this country enjoys its independence in peace and stability'.⁶⁰ A further source of Anglo-Malaysian tension was the Concorde issue. No permission had been sought from the Kuala Lumpur government to use Malaysian airspace for Britain's

⁵⁸ Mahathir bin Mohamad, *The Malay Dilemma* (Times Books International: Singapore, 1970), pp. 39, 52.

⁵⁹ Mahathir interview, 17 July 2007.

⁶⁰ Cited in Kershaw, 'Anglo-Malaysian relations', p. 640 and Chew, 'Changing directions', pp. 349–50.

supersonic aircraft on its flights to Australia.⁶¹ Mahathir regarded this as a 'cavalier attitude', epitomising the lingering of a colonial 'master-servant mentality' in the United Kingdom.⁶²

Moreover, immediately after the Dawn Raid, Malaysian leaders were convinced that the amendment of the Substantial Acquisition of Shares Rules on the LSE, allowing minority shareholders a greater period of reflection during takeover attempts (see below for more details on this complex issue), was directed at Malaysia as a consequence of PNB's acquisition of GCL. The amended rules came into effect barely two weeks after the Dawn Raid, and following the 'strong and open hints of possible future take-overs of other British companies in Malaysia, for instance Dunlop, Barlow, Harrisons & Crossfields [sic], along similar lines to the Guthrie take-over'.⁶³ The Malaysian view was that the amended legislation was another hangover from the colonial past, demonstrating Britain's stubbornness in clinging to its economic legacy in Malaysia. As Mahathir told the *FEER* in October 1981, British complaints about 'back door nationalisation' on the part of Malaysia when PNB was openly buying equity at the market rate and according to LSE rules, followed by British amendment of those dictates, seemed 'more like British economic nationalism rather than Malaysian economic nationalism'.⁶⁴

Three months after his appointment as prime minister and just over a month after the Dawn Raid, Mahathir officially announced the 'Buy British Last' campaign. After 10 October 1981, the Prime Minister's Department vetted every proposed future Federal government purchase of British goods. This hit certain British companies hard—for example, Dunlop Malaysia Industries, the local manufacturing plant of the British multinational, had held a government contract for the supply of truck tyres since it began production in 1963. But this was suddenly lost to Goodyear of the United States, and the 'uncertain' future in Malaysia was a factor in Dunlop's decision to sell out to local

⁶¹ Gent interview, 19 April 2007; Kershaw, 'Anglo-Malaysian relations', p. 637, n. 16.

⁶² Mahathir interview, 17 July 2007.

⁶³ Chew, 'Changing directions', p. 353.

⁶⁴ 'A tough guy takes over' in *FEER*, 30 October 1981. Mahathir was still smarting in 1996 during an address at St. Catherine's College, Cambridge: 'The British Government immediately stepped in, declaring that "dawn raids" were henceforth to be regarded as illegal. Since we did it before it was declared illegal, it should have been accepted in good spirit. However, Malaysia was accused of back door nationalisation'. 'Market Economy and Moral and Cultural Values—A Malaysian Perspective', 16 April 1996.

interests in 1982. Mahathir also made the decision to introduce Malay rather than English as the official language in the lower courts by 1985. Moreover, just after the Dawn Raid, Malaysia's prime minister publicly announced that he would not be attending the upcoming Commonwealth Heads of Government Meeting in Melbourne, given the unsympathetic attitude of the old 'White' Commonwealth towards the less-developed members of the ex-colonial club, and the long-held criticism of Britain that it had abandoned Commonwealth obligations for a protectionist EEC.⁶⁵ Three months later, on 15 December 1981, Mahathir issued his first statement on the 'Look East' policy, which would be officially announced in February 1982, and which aimed to introduce new forms of Japanese-, Korean- and Taiwanese-style industrial management methods and work ethics as part of Malaysian aspirations to 're-orient' towards becoming a newly industrialized country.⁶⁶

But, the Thatcher–Mahathir tiff should not be over-played as a causal factor in PNB's raid on GCL. For one, the relative ease with which relations were restored between Britain and Malaysia after the Dawn Raid suggests that Anglo-Malaysian relations had not reached a terrible impasse. Admittedly, Malaysian officials were distinctly unimpressed by a 'paltry' offer in December 1981 from the British-Malaysian Industry and Trade Association (BMITA) to contribute M\$1.5 million over three years to help Malaysian students abroad. This contribution would amount to a mere M\$250 per major company per month, and some long-established firms (notably H&C) had declined to assist. But, at the same time, Foreign Minister Ghazali Shafie emphasized that the 'Buy British Last' campaign did not amount to a boycott of British goods, and action taken against some British firms had gone against the spirit of Mahathir's directive, while, in London, Deputy Finance Minister Najib parlayed with the Treasury, the Bank of England and the Council for the Securities Industry, and sought to redress the UK surplus in Anglo-Malaysian trade by increasing Malaysian exports of manufactured goods to Britain. The contract to supply British tanks for Malaysia's armed forces, meanwhile, was not abrogated. Lord Carrington, UK Foreign Secretary, also visited Kuala Lumpur as part of an ASEAN tour in

⁶⁵ 'Message from Mahathir', 'Tough guy takes over' and 'Exit Dunlop, smiling', in *FEER*, 25 September and 30 October 1981, and 23 July 1982; Kershaw, 'Anglo-Malaysian relations', p. 637.

⁶⁶ Kershaw, 'Anglo-Malaysian relations', p. 642; Khoo, *Paradoxes*, pp. 65–74.

February 1982 in which bilateral relations, particularly with regard to trade and education, were discussed.⁶⁷

A year later, Her Majesty's Government announced that it would give Malaysian students special preference under a new scheme providing £4 million in additional Commonwealth scholarships. Over 600 Malay students were now able to enter Oxbridge. The intercession of Sir Donald Hawley (former British High Commissioner to Malaysia) and Ismail Ali also paved the way for Thatcher and Mahathir to dine together in March 1983 at 10 Downing Street in the 'presence of assorted nabobs'.⁶⁸ The following month, the 'Buy British Last' directive was withdrawn. In July, Ghazali began an official two-day visit to Britain, and in August a new programme of technology transfer, sponsored by the BMITA, in conjunction with Malaysia's Public Services Department, allowed 20 senior Malaysian government employees an 11-month secondment at British firms such as BP Malaysia, Lever Brothers, Inchcape, the Chartered Bank, Malayan Cement, ICI Malaysia and the General Electric Co. to enhance their management expertise and skills. Funded also by the UK's Overseas Development Administration, this was the end result of talks between Mahathir and British business leaders following the 'Buy British Last' announcements.⁶⁹ Despite Mahathir's bravado, therefore, there was never any intention of ditching the Commonwealth relationship—British investments were still welcome in Malaysia, so long as these complied with NEP requirements, and British firms were assured that if they were taken over, expatriate managers would be retained as long as they cooperated with Malaysia's development objectives.⁷⁰

At the same time, Mahathir was not personally instrumental in the planning or execution of the Dawn Raid. As Deputy Prime Minister after 1976, and particularly after his additional appointment as Minister of Trade and Industry in 1978, Mahathir had certainly been concerned with boosting *bumiputera* equity participation, and was therefore fully in support of PNB's objectives to acquire large companies to rapidly increase the Malay share of the corporate economy. Yayasan Pelaburan Bumiputera (YPB; the Bumiputera

⁶⁷ 'Studiously ignored' in *FEER*, 18 December 1981, pp. 52–3; Chew, 'Changing directions', pp. 358, 359.

⁶⁸ Mahathir interview, 27 July 2007; Interview with Sir Donald Hawley, Salisbury, UK, 10 April 2007; 'Malaysian students get more British aid' in *FEER*, 24 February 1983.

⁶⁹ 'The thaw continues' in *FEER*, 4 August 1983.

⁷⁰ Chew, 'Changing directions', p. 357; Mahathir interview, 17 July 2007.

Investment Foundation) was PNB's parent organisation, and till 1981 was headed by Mahathir as deputy prime minister. Mahathir, with his trade and industry hat on, as well as Finance Minister Razaleigh, were certainly briefed and were enthusiastic in late 1980 about the possibility of taking over GCL. But planning within PNB preceded these meetings.⁷¹ As Prime Minister, Mahathir merely endorsed the proposal put forward to him by the key player, Ismail Ali, who paradoxically *did* know both the British players in Kuala Lumpur and London 'very well'.⁷²

Moreover, as the Bank of England records reveal, no stock exchange rules were actually broken during the raid, suggesting longer-term planning before Mahathir became prime minister, and an intimate knowledge of City of London procedures which, however omniscient or omnipresent Mahathir may have been, he could not have been aware of or mastered. In the United Kingdom, the takeover code of the Council for the Securities Industry (CSI) considered that control of a company had transferred to a person or group of persons acting in concert when said individual or individuals acquired 30% or more of the voting rights stemming from the acquisition of shares of the same quantity. Prior to 1980, the purchaser(s) could buy up as many shares as they could in a mere matter of hours, and by extension exceed the 30% limit through which effective control of the company, under the takeover code, would pass to the same purchaser(s). The CSI had taken stock of the ramifications of dawn raids when a precedent was set by the Johannesburg-based De Beers mining group through its contentious acquisition of a controlling interest in Consolidated Gold Fields. On the morning of 12 February 1980, De Beers acquired 11% of the shares of Consolidated Gold Fields within 45 minutes at a price substantially higher than the closing market price. Prior to this, De Beers had covertly acquired 14% of the international gold-producing group's shares. De Beers' dawn raid proved contagious and by July 1980 there were five cases involving De Beers-style takeovers.⁷³ As such, the CSI, as an interim measure, imposed a ban on such Blitzkrieg-style operations.⁷⁴

⁷¹ 'Najib dead wrong', 25 April 2007; 'When the big boys came home', 3 September 2007; Interview with Khalid Ibrahim, 2 November 2007.

⁷² Interview with Mahathir Mohamad, 27 July 2007.

⁷³ BoE, General File No. 161890, 'CSI: Recent Developments in Market Purchases', 12 October 1981, Appendix 2, 'Extract from the Council's Annual Report for the year to 31 March 1981'.

⁷⁴ Ibid., 'CSI: Recent Developments in Market Purchases', 12 October 1981.

This short-lived ban was lifted when the 'Rules Governing Substantial Acquisition of Shares', approved by the CSI, came into effect on 11 December 1980. The rules sought to provide a level playing-field for minor shareholders who either in practice were not well informed of prevailing market conditions or who constituted a negligible proportion of the ownership, so that they too could be advised properly and profit from the high (or above the market) price which was offered at dawn raids by the purchaser(s). The purchasers affected by the new rules were those interested in acquiring 5% or more of the voting rights if such a move would increase their present holdings to 15% but fall short of the 30% mark. A seven-day provisional 'taking stock' period was imposed for this category.

The CSI's new regulations also sought to address existing concerns about dawn raids which were open to a number of objections from boards of directors or management, shareholders and industry observers. Dawn raids effectively presented a *fait accompli* to the directors and shareholders who were not given adequate time and opportunity to consider and debate the issues relating to the future of the targeted company. Such scenarios were remedied through the application of the seven-day period—which was already operational for the 15%–30% category—for the purchaser who was considering topping up their acquisition, exceeding the 30% limit. This was implemented with the same intention of slowing down the buying process and allowing a period of reflection and mental 'stock-taking', alongside debate and formulation of views within the target company. In addition, dawn raids denied the opportunity for a better bid to be offered by other prospective purchasers. The only difference was that the stalling mechanism was in place when the purchaser was already in sight of control of the target company, that is, on the verge of the takeover rather than setting its sights on moving towards the takeover stage. Yet, this 1980 rule '*did not apply* to an offeror who was making a bid for all the shares or who was acquiring 30 per cent or more of a company and who under the Take-over Code had to make a bid for other shares' (emphasis added).⁷⁵ The existence of this loophole in the amended 1980 rule led to two cases of rapid acquisitions by British companies on British companies in mid-July 1981.⁷⁶ A third case involved PNB when raiding GCL on 7 September 1981.

⁷⁵ Ibid.

⁷⁶ On 15 July 1981, bids were made by Churchbury Estates for Law Land and by Northern Engineering Industries for Amalgamated Power Engineering. Ibid., Appendix 3, 'Details of recent rapid acquisitions'.

In order to plug the loophole, the CSI decided on 24 September 1981 that 'anyone who announces a takeover bid, or who is endeavoring to secure control by acquisitions, is not allowed for seven days to acquire shares carrying 5% or more of voting rights, from more than one shareholder, if his [sic] existing holding gives voting rights of 15% or more'.⁷⁷ The CSI amendment, therefore, was not a reactionary policy in response to PNB's dawn raid, but a logical climax to the 1980 Substantial Acquisition of Shares Rules which had hitherto applied only to purchasers who acquired 15% or more but less than 30% of the shares in a company. Such a scenario was interpreted as a gradual step leading to a takeover of the target company. The 1980 Rules were crafted precisely to deal with such situations. At the time, it was thought that because a 30% acquisition or more amounted to a *de facto* takeover, the 1980 Rules need not apply. But a recent spate of dawn raid cases, of which PNB's on GCL was merely one, affected the new rules. Therefore, the CSI's decision was not directed solely at Malaysia but reflected a wider concern in the securities industry about the ramifications of dawn raids on the affected parties. Indeed, the amendments of 24 September had been immediately preceded by a rapid takeover of the British mining group, Tanks Consolidated Investments, by Belgian interests.

Moreover, the central issue for the CSI was the international reputation of London as a financial centre. As one financial advisor commented, 'Few things . . . strengthen the widely held conviction that the City is the home of sharks and charlatans more than aggressive market transactions leading to an immediate change of control.'⁷⁸

The key point here, however, is that PNB and its advisors were regarded by the CSI as having 'acted entirely properly within the rules as they then existed' on the morning of 7 September 1981.⁷⁹ PNB began by purchasing 5% equity in GCL. This initial manoeuvre was completed by 0935. Later in the morning, PNB purchased a further 12% outside the market in Malaysia and London. Just after 1100, PNB announced a bid for the whole company and continued buying in the market until approximately 1230 when, with the 25% stake which PNB had acquired from Sime Darby prior to 7 September, PNB held just over half of GCL's share capital.⁸⁰ Hence, PNB did not act arbitrarily

⁷⁷ Ibid., 'Dawn Raids and Malaysia', Note for Dawkins by Fuggle, Financial Supervision—General Division, 8 December 1981.

⁷⁸ Ibid., 'CSI: Recent Developments in Market Purchases', 12 October 1981.

⁷⁹ Ibid.

⁸⁰ Ibid., copy of note by G. H. Campbell and S. E. Taylor, Far East and South-East Asia Department, Confederation of British Industry of a meeting with John Hignett,

in a 'knee-jerk' reaction but acted professionally and properly to secure control of Guthrie. As Chew appreciated, 'The PNB's success was the culmination of a meticulous effort to master the technicalities of the LSE'.⁸¹ Indeed, it had taken four months before 7 September 1981 for Khalid Ibrahim and his team at PNB to get everything in place to mount their lightning attack.⁸² This suggests long-term aspirations and planning before Mahathir's arrival at the helm of the Malaysian state and a more extended set of origins of the Dawn Raid within the requirements of the NEP and the interpretation of those requirements by PNB and its chairman, Ismail Ali.

The NEP, PNB and Ismail Ali

Much of the existing literature on the Guthrie Dawn Raid neglects or downplays this wider Malaysian domestic context. A huge, unique exercise in social engineering, Malaysia's NEP was promulgated in 1971 to restructure the country's economy and society and achieve a much more equitable distribution of wealth among the various Malaysian ethnic groups, extending affirmative action for the *bumiputera* into the corporate economy. This was in tandem with the 'Malaysianisation' process to ease foreign domination in major sectors of the economy such as rubber and oil palm plantations.

director general of the panel on takeovers and mergers, LSE, 16 October 1981. Under LSE rules, PNB subsequently offered to purchase the ordinary and preference shares of the remaining shareholders at the same price (£9.01) per share as it had paid in the raid. As the GCL board privately valued the shares at about £7, and doubted the ability of minority shareholders to exercise control in the future, the directorate recommended to all its shareholders that they should accept this advantageous offer. Thus PNB came to own 100% of the share capital by the end of 1981. Gullick note, 26 April 2007; Gent to White, 11 November 2007. Ismail Ali replaced Gent as chairman and PNB nominees also took the place of the British managing and finance directors. Gent and Gullick were kept on as non-executive directors until 1983 as a 'face saver ... for the nervous expatriate staff' (Gent to White, 11 November 2007), especially those in the non-Malaysian enterprises which PNB had little knowledge of. Neither, however, had any part in the management of GCL after the raid since the London office was closed and *de facto* headquarters moved to Kuala Lumpur. At the intermittent board meetings held in London 'a few very general financial statements were tabled but hardly discussed' (Gullick note, 26 April 2007). In 1988, the non-Malaysian interests were sold back to British investors, and in 1989 the new Guthrie Berhad was listed on the KLSE.

⁸¹ Chew, 'Changing directions', p. 353.

⁸² 'When the big boys came home', 3 September 2007.

A 'new breed' of Malay political leaders pursued a changing politico-economic agenda which was clearly reflected in both Malaysia's internal and external relations after the inter-communal violence of May 1969 in Kuala Lumpur. The Malay 'anglophiles' were replaced by the 'ultras' such as Harun Idris, Mahathir Mohamad and Musa Hitam who questioned the viability of economic liberalism being pursued by the Alliance government and insisted that Malay/*bumiputera* economic and political 'rights' be addressed via the restructuring of the economy. The Abdul Razak and Hussein Onn administrations of 1970–1976 and 1976–1981, concerned with reducing British ownership, took a number of measures to gain control of British-owned firms in the resource-based industries as a means to ensure the successful implementation of the NEP. Indeed, as early as November 1974, the *Sunday Telegraph's* Kuala Lumpur correspondent reported that 'the winds of change are now blowing strongly' through Malaysia's primary industries, and the Malaysian government 'will press ahead with its policy of bringing 70 per cent equity control plus the management of its major industries to Malaysia and it could happen in a shorter time than anticipated'. There would be 'no question of nationalization or forced acquisition of shareholdings at low prices but published guidelines on acquisitions and takeovers and the mid-term review of the Second Malaysia Plan leave little doubt that running tin mines and plantations from boardrooms in London and Singapore is no longer acceptable'.⁸³

This determination to reduce British control of the primary producing sectors coincided with increasing state intervention in the economy and public–private partnerships in 'Malaysia Inc.' modelled on Japan.⁸⁴ The growth of government-linked corporations from the mid-1960s, and particularly after 1971, led to an increased volume of equity assets in the Malaysian economy being held 'in trust' for the 'indigenous' peoples by *bumiputera*-dominated institutions. The most important of these parastatals was PERNAS, formed in 1969 following the second government-sponsored Bumiputera Economic Congress in Kuala Lumpur. From the mid-1970s, under the leadership of Tengku Razaleigh, PERNAS turned away from majority control of joint ventures with foreign interests in the manufacturing sector

⁸³ Ivan Fallon, 'British firms under pressure to toe the line' in *New Straits Times*, 5 November 1974.

⁸⁴ Khadijah Khalid, 'Malaysia-Japan Relations: Explaining the Root Causes of the Pro-Japan Orientation of Malaysia in the post-1981 Period', PhD Thesis, School of Oriental and African Studies, London, 1999, chapter 2.

towards replacing British investments in primary production. But this had not led to increased equity participation by the Malay and other 'indigenous' masses.⁸⁵

The origins of the Guthrie Dawn Raid lay largely, therefore, in a second, more radical phase of the NEP. The creation in 1978 of YPB, and its subsidiary PNB, represented an attempt to turn some of the poorer classes into stockholders (and ultimately entrepreneurs) by boosting individual *bumiputera* participation in private enterprises. In May 1979, PNB established a unit trust scheme, Amanah Saham Nasional (ASN), to transfer equity from *bumiputera* trustees to individuals and companies. PNB was thus charged with creating a pool of shares which could be subsequently sold as ASN units to mobilize *bumiputera* savings.⁸⁶ Rural Malays traditionally valued land as an investment. But this was believed to be a brake on development and capital formation through tying up vast potential savings in relatively unproductive assets. When *bumiputera* individuals did acquire shares through *Malayisation* strategies, PNB officials were aware that these were frequently sold on to Malaysian Chinese and Malaysian Indian investors. As early as 1961, the Malayan federal government had organized the National Investment Company (NIC) which had worked to increase the ratio of Malay-owned capital in nascent import-substitution industrialisation. Four years later, the Ministry of Commerce and Industry (MCI) made it compulsory for companies receiving tax holidays as pioneer industries to reserve 10% of their equity capital for *bumiputera*. However, neither the NIC nor the MCI could prevent Malay shareholders from selling to non-*bumiputera* Malaysians.⁸⁷ Meanwhile, rural cooperatives, licensed as Malay enterprises, such as bus and taxi companies, were frequently either bankrupt or mere fronts for Chinese entrepreneurs.⁸⁸

⁸⁵ 'A dividend for the people' in *FEER*, 23 January 1981; interview with Khalid Ibrahim, 2 November 2007; Keiko Saruwatari, 'Malaysia's localisation policy and its impact on British-owned enterprises' in *The Developing Economies*, XXIX, 4 (December 1981), pp. 373-4.

⁸⁶ Rajah Rasiah and Ishak Shari, 'Market, government and Malaysia's new economic policy' in *Cambridge Journal of Economics*, 25, 1 (2001), p. 73.

⁸⁷ Saruwatari, 'Localisation', p. 374; 'A dividend for the people', 23 January 1981.

⁸⁸ Khalid interview, 2 November 2007. Under so-called 'Ali Baba' arrangements, a Malay ('Ali') could obtain a business licence on behalf of a Chinese entrepreneur ('Baba'). The business was covertly run by Baba with Ali remaining a sleeping partner. The British High Commission in Kuala Lumpur found the practice widespread by the late 1960s. TNA, FCO 24/250, enclosure by Guy Duncan in High Commissioner to Commonwealth Secretary, 2 April 1968.

Through ASN, therefore, PNB aimed to demonstrate to ordinary Malays that there was greater potential for individual wealth creation through investing in the capital of companies rather than in land. Promising a minimum 10% annual dividend, the attraction would be the superior rates of return on ASN units compared to those from existing Malay-Muslim savings institutions such as *Tabong Haji* (the Mecca pilgrimage fund). Any *bumiputera* over the age of 21 could acquire up to 50,000 M\$1 units in ASN before 1990. The minimum individual investment would be M\$10, and while certificates would be issued in amounts of 100 units, small investors could save through a passbook scheme until they had accumulated sufficient savings to buy the certificates.

The initial tranche of shares to support ASN came from the corporate equity of state-owned corporations which was gradually acquired by PNB. In other words, public assets were being pooled in anticipation of their sale to *bumiputera* commoners. Of about 669 million shares in some 21 companies held by the government, over 80% would be transferred to PNB—some of these assets (such as PERNAS's stakes in the Malaysian Mining Corporation, Sime Darby and the Highlands and Lowlands plantation group) had first been acquired from British investors. PNB would warehouse these shares and, at the same time, buy and sell further issues on behalf of ASN. To underpin these operations in the capital markets, and confirming the centrality of PNB within the fulfilment of the NEP, the initial sum of M\$500 million received from the government under the Third Malaysia Plan (1976–1980) would be supplemented by a further M\$1 billion under the fourth plan to the middle of the 1980s. Additionally, PNB was able to borrow interest-free and non-collateral loans from the government.⁸⁹

The launch of ASN would have a profound influence upon the fate of GCL. The PNB release of unit shares finally went public on 20 April 1981 and there was an unexpectedly enthusiastic response: by the beginning of 1982, 841,000 *bumiputera* individuals had invested M\$200 million in ASN units, and the trust announced a bonus issue of one unit for 10 plus a 10% dividend; the equity owned by *bumiputera* individuals dramatically rose by M\$375 to M\$1,504 million in the course of 1981 alone.⁹⁰ PNB's database soon became outmoded as a

⁸⁹ 'A dividend for the people', 23 January 1981; Khalid interview, 2 November 2007; Saruwatari, 'Localisation', p. 375.

⁹⁰ 'Permodalan's surge' in *FEER*, 7 May 1982; Rajah Rasiah and Ishak Shari, 'Market', p. 73.

result, and the investment agency's executives were forced to turn to Bank Negara for its computing needs. PNB was thus faced with a desperate requirement to swiftly find new investment opportunities to increase its portfolios and so obtain sufficient yields for the numerous ASN subscribers.⁹¹

Behind this was the powerful and determined personality of Ismail Ali, who as governor of Bank Negara had chaired the working party which in 1977 recommended the establishment of PNB. Despite their differences of opinion on the relative roles of other PNB directors in the Dawn Raid project, both Desa Pachi and Khalid Ibrahim do agree that Ismail Ali was central to all decision making.⁹² As the *FEER* had been made aware in October 1980, Ismail Ali was a hands-on chairman at PNB with staff 'talk[ing] of his constant questioning of all aspects of the operation and his full time commitment to his new job'.⁹³

In 1981, Ismail Ali was in his sixties. His early career in the 1940s and 1950s had been in the colonial civil service, rising to become the controller of the trade division of the Ministry of Commerce and Industry between 1955 and 1957. John Gullick—who had known Ismail during Gullick's term in the Department of Economic Affairs between 1950 and 1955—has described Ismail as 'a strong personality' and 'perhaps the ablest Malaysian technocrat of the post-Merdeka generation'. Gullick counted Ismail as a 'friend' but during 'our occasional disagreements it was evident even then that he had great determination'.⁹⁴ According to Whitehall reports, Ismail had developed something of an 'anti-British chip on his shoulder' under colonial tutelage. In the early 1950s, Ismail had been rescued from his isolation as head of the economic affairs outpost in Penang, and seconded to the Canadian government and then the World Bank, by Oscar Spencer, the Malayan government's maverick economic advisor, who himself became increasingly alienated from his more conservative expatriate colleagues in the Malayan Civil Service. On Ismail's appointment as governor of Bank Negara in 1960 he certainly did not enjoy the confidence of Anglo-Malayan financial circles. The UK Commonwealth Relations Office regarded Ismail's accession as

⁹¹ Khalid interview, 2 November 2007; 'When the big boys came home', 3 September 2007.

⁹² Desa Pachi interview, 12 September 2007; 'When the big boys came home', 3 September 2007.

⁹³ 'Localisation without fuss' in *FEER*, 3 October 1980.

⁹⁴ Gullick note, 26 April 2007.

detrimental to British interests and would have much preferred H. S. Lee, the Malayan Chinese business and political leader and former finance minister, to have been appointed governor as a boost to the confidence of expatriate investors.⁹⁵

Indeed, as an UMNO member in the run-up to the 1955 elections for internal self-government—in which the UMNO-MCA-Malayan Indian Congress (MIC) Alliance won 51 out of the 52 seats—Ismail had informed the Tunku that he was 'horrified' by Colonel Lee's commitment on behalf of the Alliance to laissez-faire capitalism 'to gain the support of the rubber and tin barons in Malaya' rather than the *kampung* Malays 'whose support will sweep us into power'. Out-and-out nationalisation of Malaya's main industries was impracticable as bureaucratically inefficient and 'administratively very expensive'. But if private enterprise was to be allowed free reign this could be 'worse than the law of the jungle', 'damaging to the interest of the nation as a whole', and would be to the 'disadvantage of the ordinary man in the village, Malay, Chinese or Indian'. At the same time, Ismail Ali wished to see the Alliance take 'immediate measures' to 'correct' the economic imbalance between the Malay and non-Malay communities, which he regarded as 'a source of danger towards the well-being of the people as a whole and towards the rapid development of the peoples of Malaya as a Nation'.⁹⁶ Although no socialist, Ismail Ali's ideas chimed with a general concern within the Malayan intelligentsia at *merdeka* with ongoing control of the 'commanding heights' of the post-colonial economy by British interests, and the subsequent drain of profits from Malaya/Malaysia, hampering both the development of secondary industry and a more equitable distribution of income (epitomized by the publication of James Puthuchear's *Ownership and Control in the Malayan Economy* [1960]).⁹⁷

⁹⁵ TNA, DO 35/9863, Minute by Humphrey for Smith, 25 April 1960; on Spencer see note by J. M. Gullick in Gullick to White, 21 January 2008; John Gullick, 'Prelude to Merdeka: Public administration in Malaya, 1945–57' in *South East Asia Research*, 5, 2 (1997), p. 163 and Nicholas J. White, 'Spencer, Oscar (1913–1993)' in *Oxford Dictionary of National Biography*, online edn (Oxford: Oxford University Press, May 2009).

⁹⁶ ISEAS Library, Singapore, Tan Cheng Lock papers, TCL XIV/98a, UMNO/MCA Alliance Headquarters, 1 March 1955, copy of letter to the Tunku from Ismail Mohamed Ali, 5 February 1955; TCL XIV/98b, 'Comments by Ismail Mohamed Ali on the Memorandum on Finance and Economic Policies', 4 April 1955.

⁹⁷ Collin Abraham (former Associate Professor of Sociology, Universiti Sains Malaysia and author of various books on Malaysian history and politics) thus joined in the Ijok debate by claiming that it was the former left-wing Singapore activist,

In the short term, Ismail lost the argument to Lee. The Alliance did introduce systematic five-year planning after 1956, and also established the Federal Land Development Agency (FELDA) which aimed to build up a large sector of small-scale Malay agriculturalists alongside the British plantations. But,

Government effort to promote Malay participation in commerce and industry was limited to an indirect nurturing type of policy that worked to improve education, gave preferential license allocations to Malays, and was supported by M[alayan] I[industrial] D[evelopment] F[inance] set up in 1960. This approach meant a continuation of the colonial laissez-faire system where British and Chinese capital retained their control over the commercial and industrial sectors.⁹⁸

Even so, a more interventionist and nationalistic phase in Malaysian central banking was initiated by Ismail Ali as early as 1963 with increasing restrictions on the liquidity of the British exchange banks, the loss of expatriate influence on the Malaysian currency board and plans for a comprehensive exchange-control system to prevent capital flight. Moreover, state government accounts were increasingly transferred from the British banks—HSBC and Chartered—to Malaysian-owned ones, and in 1965 legislation was introduced which prevented foreign banks from opening additional branches in Malaysia.⁹⁹ In a note prepared for the UK Foreign and Commonwealth Office (FCO) by the British High Commission in Kuala Lumpur in 1975, Ismail was described as occupying an ‘important role in current Malaysian economic and financial set-up’. He was ‘a strong nationalist’ and ‘often regarded as anti-British by British bankers and businessmen’ in Malaysia; ‘he is certainly out to rid the country of expatriate officials and businessmen as soon as practicable’.¹⁰⁰

Puthuchear, who in exile in Malaysia had convinced UMNO leaders that the takeover of the British agency houses was possible and would ensure a fair and equitable distribution of these assets. Where the government deviated from Puthuchear’s advice, however, was that the Malaysian Indian rubber tappers did not receive compensation for their ‘near slavery’ and denial of a ‘monthly living wage’ during the initial take-off of the rubber industry in the early twentieth century. “‘Dawn Raid’: Who were the beneficiaries” in *Malaysiakini*, 27 April 2007. A discussion of Puthuchear’s influence on the NEP can also be found in K. S. Jomo, ‘Afterword’ in J. J. Puthuchear, *Ownership and Control in the Malayan Economy*, 2nd reprint (Kuala Lumpur: INSAN, 2004), pp. 196–8.

⁹⁸ Saruwatari, ‘Localisation’, p. 372.

⁹⁹ White, *Post-colonial Malaysia*, pp. 70–1, 82–3. For more on Ismail Ali’s role at Bank Negara during the 1960s and 1970s, see Catherine R. Schenk, ‘Malaysia and the end of the Bretton Woods system, 1965–72: Disentangling from sterling’ in *Journal of Imperial & Commonwealth History*, 36, 2 (2008), pp. 197–220.

¹⁰⁰ Enclosure in TNA, FCO 15/2075.

Indeed, by the mid-1970s, British business leaders in Kuala Lumpur were recognising Ismail's pivotal role in the implementation of the NEP. Henry Barlow had experienced this at the sharp end through the successful transfer of tax residence to Malaysia from Britain of the Highlands & Lowlands Para Rubber Co. Ltd., the rubber and oil palm pearl of the Barlow group and one of three largest rubber companies operating in Malaysia. This localisation had gone ahead notwithstanding the intransigent attitude of the majority of the board concerned dominated by Henry Barlow's father, Tom. As Henry Barlow reported to the FCO, it was through his chairmanship of the Capital Issues Committee (CIC) and membership of the Foreign Investment Committee (FIC) that Ismail Ali dominated two government agencies, which were not statutory but effectively functioned as part of the Prime Minister's Department, approving new share issues/transfers and the expansion of foreign-owned companies, and which were highly influential in determining Malaysianisation agreements.¹⁰¹

Ismail Ali had been trying to encourage overseas firms to comply voluntarily with NEP requirements. But through the central bank governor's position on FIC and CIC, Khalid believes that Ismail became increasingly frustrated by the 'delaying game' of GCL, H&C *et al.*, which aimed to retain a majority stake on behalf of the parent company's shareholders in London.¹⁰² Certainly, at a meeting with UK companies in March 1975, the British High Commissioner in Kuala Lumpur reported on how Ismail had 'dominated' proceedings (notwithstanding the presence of Raja Mohar, the chair of the FIC) and had 'said in forceful—indeed somewhat offensive language' that 'each and every expatriate company' was required to conform to the NEP formula whereby the non-Malaysian stake should be reduced to 30%.¹⁰³ Liberated from the Malaysian Civil Service, and international banking niceties, following his retirement from Bank Negara in 1980, Ismail Ali could finally 'get tough' and unleash the more radical notions of his youth: in Khalid's words 'enough was enough'.¹⁰⁴

In late 1980, therefore, Ismail, who was increasingly disaffected by agency-house 'excuses', accepted Khalid's suggestion that GCL be acquired by PNB to expedite the increase of *bumiputera* equity

¹⁰¹ TNA, FCO 15/2075, notes prepared by Mr. Henry Barlow and given to Mr. Squire at a meeting on 2 June 1975.

¹⁰² 'When the big boys came home', 3 September 2007; Khalid interview, 2 November 2007.

¹⁰³ TNA, FCO 15/2075, Sir Eric Norris to Wilford, FCO, 4 March 1975.

¹⁰⁴ 'When the big boys came home', 3 September 2007; Khalid interview, 2 November 2007.

ownership. About a year before the acquisition, therefore, Khalid and his colleagues undertook two analyses of ‘whether or not it was worthwhile to take over Guthrie and at what price’, and on ‘the tactical’ means of pursuing what became the Dawn Raid.¹⁰⁵

It would also seem that Ismail Ali and PNB had been involved in an earlier attempt to ‘bring back’ Guthrie. Prior to the Dawn Raid, PNB held a 25% stake in GCL—these shares, it will be recalled, had been sold to PNB by Sime Darby in December 1980, following the latter’s failed attempt to take over Guthrie during 1979. This aborted bid appears to have been supported by both Bank Negara and Ismail Ali. Indeed, it was regularly alleged that Sime Darby was highly influenced by the central bank.¹⁰⁶ Gent and Gullick are probably justified, therefore, in supposing that the Sime Darby bid was a front for PNB.¹⁰⁷ Desa Pachi, PNB’s first chief executive, recalls that Ismail had asked him to work closely with Sime Darby to take over Guthrie.¹⁰⁸

Sime Darby was certainly very close to, and almost a component of, the Malaysian state. During 1975 and 1976, PERNAS accumulated a 9% stake in Sime Darby, whose shares were more widely dispersed than Guthrie’s and in which there was no majority British holding. Rather than purchasing further shares in a dawn raid style manoeuvre, PERNAS combined with OCBC (which also held a 9% stake in the British-managed transnational) to oppose the re-election of four of the six British executive directors. The former Malaysian finance minister, Tan Siew Sin (whose family had long been associated with both Sime Darby and OCBC), became chairman in November 1976. Three years later, Sime Darby’s domicile was moved to Kuala Lumpur, and, with 9 of the 13 directors of Asian ethnicity, PERNAS was in *de facto* control of Sime Darby.¹⁰⁹ At the end of 1980, PNB was happy

¹⁰⁵ ‘When the big boys came home’, 3 September 2007.

¹⁰⁶ See, for example, ‘A new chapter for Sime’ in *FEER*, 19 December 1980. Bank Negara had representation on the Sime Darby board from 1974. Drabble and Drake, ‘Agency Houses’, p. 324.

¹⁰⁷ Gent described the failed takeover of Guthrie by Sime Darby as ‘no less a nationalistic coup’ than the successful swoop of September 1981. Gent to Shakila Jacob, 13 April 2007; Gent to White, 11 November 2007; Gullick note, 26 April 2007.

¹⁰⁸ Desa Pachi interview, 12 September 2007.

¹⁰⁹ van Helten and Jones, ‘British business’, pp. 185–6; Saruwatari, ‘Localisation’, pp. 378, 381; Drabble and Drake, ‘Agency Houses’, pp. 324–5; Grace Loh, Goh Chor Boon and Tan Teng Lang, *Building Bridges, Carving Niches: An Enduring Legacy* (Singapore: Oxford University Press, 2000), pp. 142–4.

to buy the Guthrie shares from Sime Darby at £7.25 rather than the market price of £6.88, hence the *bumiputera* investment agency effectively compensated and subsidized Sime Darby to the tune of £2.9 million. This transaction came within a few months of Ismail Ali’s appointment to the Sime Darby board, following his retirement as Bank Negara governor. At Sime Darby, Ismail joined a bevy of former colleagues who had worked with him at Bank Negara, as well as his old sparring partner at the Treasury, Tan Siew Sin. Ismail Ali eventually succeeded Tan as chairman of Sime Darby in 1987. In this, Ismail Ali was increasingly representing the single most powerful interest in Sime Darby, PNB, which had succeeded to PERNAS’s 20% stake in Sime Darby.¹¹⁰

Clearly, Ismail and Khalid had learned much from Sime Darby’s bungled attempt to take over GCL. Because too many individuals had been privy to the 1979 Sime Darby takeover attempt, PNB’s strategy by 1981 was to secure ‘in one “surprise” transaction’ at least 40% equity of the firm. In accordance with the City of London’s takeover code, there was no requirement for a formal bid if a company was to acquire 5% equity in a firm. Rowe and Pitman, therefore, was instructed by PNB to purchase about 1.6 million ordinary shares. PNB then purchased just under 3.8 million shares, making a total ownership of 13,155,500 shares and representing 42% of Guthrie share capital. Subsequently, in accordance with Rule 34 of the City code on mergers and takeovers, PNB made an offer to acquire the rest of the shares.¹¹¹ According to Khalid, the precise details of this manoeuvre were known only to the chairman and the investment manager at PNB in Kuala Lumpur and to Evelyn de Rothschild and a junior executive at Rothschilds in London, Jock Green-Armitage. PNB’s managing director, Desa Pachi, was apparently excluded on the ‘China Wall’ principle whereby top directors were not privy to the precise details of takeover deals (as was established practice at Rothschilds).¹¹²

The active participation of Rothschilds re-emphasizes the centrality of Ismail Ali in the Dawn Raid project. Rothschilds had played an important part in the disposal of Sime Darby’s GCL shares to PNB,

¹¹⁰ ‘Localisation without fuss’ and ‘A respite, note a reprieve’ in *FEER*, 3 October and 19 December 1980.

¹¹¹ Khalid, ‘Investments and growth’.

¹¹² Khalid interview, 2 November 2007; ‘When the big boys came home’, 3 September 2007.

since the financiers had been appointed London merchant bank to Sime Darby after the sacking of Kleinwort Benson in the wake of the failed bid for GCL. Another factor in the change of merchant bank, however, was that Rothschilds was financial advisor to Bank Negara and that the London finance house and Ismail's central bank were 'so close that they have a chat on the telephone every day'.¹¹³ Moreover, Evelyn de Rothschild, who had succeeded his cousin Victor Rothschild as chair of N. M. Rothschild & Sons in 1976, had developed a close working relationship with Ismail Ali in the setting up of a merchant bank in Kuala Lumpur, Bumiputera Merchant Bankers, in which Rothschilds was prepared to allow the Malaysian government a majority shareholding. As such, the City financier gained a reputation as one of the few British business leaders willing to acquiesce with NEP requirements.¹¹⁴ Jock Green-Armitage, meanwhile, had previously worked with Kleinwort Benson at the time of Sime Darby's attempt to take control of GCL. Immediately after the Dawn Raid, Ismail was made chairman of Guthrie with Green-Armitage as managing director charged with the specific task of dissecting the Malaysian interests from the remainder of the Guthrie group.¹¹⁵

Linkages between Malaysian parastatals and the City of London had been built up over a long period. Tengku Razaleigh had organized the first Bumiputera Economic Congress in 1965 which, *inter alia*, led to the formation of the Malay-owned Bank Bumiputera (which by 1981 was nearly 70% owned by PNB) and where the idea of an ASN-style unit trust scheme was first mooted. At the same time, Razaleigh was secretly despatched to London to study financial markets and meet bankers, experience and connections which would prove invaluable in relation to the imposition of the NEP during the 1970s and 1980s.¹¹⁶ Indeed, it was Rothschilds which advised PERNAS—headed by Razaleigh—in both the parastatal's successful tussle for board control of Sime Darby and its takeover of the London Tin Corporation (LTC) during 1976.¹¹⁷ Khalid, paradoxically, had worked in Barings London office before landing the job of investment manager at PNB

¹¹³ 'New chapter for Sime', 19 December 1980; see also 'When the big boys came home', 3 September 2007.

¹¹⁴ Interview with Sir Evelyn de Rothschild, Chelsea, London, 29 November 2007.

¹¹⁵ Gent to White, 11 November 2007; Barlow interview, 17 November 2007.

¹¹⁶ Ranjit Gill, *Razaleigh: An Unending Quest* (Petaling Jaya: Pelanduk Publications, 1986), pp. 58–9.

¹¹⁷ P. Gunasegaran, 'Bid that was a well-kept secret' in *National Echo*, 9 September 1981. It was Rothpura Nominees, a subsidiary of Bumiputera Merchant Bankers,

in late 1979 (Barings it will be recalled were GCL's financial advisors and held some Guthrie stock before the Dawn Raid). This 'insider' knowledge was again invaluable in September 1981.

Indeed, this familiarity with City regulations and accepted practices was a key consideration because Tun Ismail had long been at pains to maintain foreign investor confidence during the imposition of the NEP. Although there was a general belief among Malay economic nationalists that the country's natural resources should be Malaysianised in favour of the *bumiputera*, this did not mean that the government in Kuala Lumpur was averse to the continued operations of multinational enterprises. In particular, foreign investment, with resultant technology transfer, was actively sought out in the export-orientated manufacturing sector in a number of Korean- and Taiwanese-style Free Trade Zones. This might be put at risk if controversial expropriations of established British enterprises were to eventuate. As Henry Barlow appreciated in 1975,

Tan Sri Ismail is an extremely tough negotiator, and a nationalist. At the same time, he is a very competent international banker, scrupulously honest, and *prima facie* cannot at this stage afford to forfeit international investment confidence (much as he would like to see the country go it alone, if he considered it remotely possible).¹¹⁸

Hence, Ismail had been determined during Razaleigh's attempts to take over the LTC that cash bids in the market should be offered to minority shareholders in UK-based companies, as demanded under the Takeover Code, as opposed to spectacular forced expropriations which might be favoured by senior Malay politicians anxious to win nationalist kudos with the Malay electorate (without considering the negative impact upon foreign investor confidence).¹¹⁹

which proposed the Asian directors to replace the British executives on the Sime Darby board in 1976. Drabble and Drake, 'Agency Houses', p. 324, n. 87.

¹¹⁸ TNA, FCO 15/2075, Barlow notes, 2 June 1975.

¹¹⁹ *Ibid*; see also Gullick note, 26 April 2007. In 1975, Pernas had attempted to take control of LTC after purchasing the majority stake held by Haw Paw, a Singapore firm owned by the British financier Jim Slater. However, a financial scandal concerning Slater and Haw Paw foiled this. Instead, a more orthodox takeover tactic was employed in 1976 whereby PERNAS combined with Chartered Consolidated, the UK subsidiary of the South African Anglo-American Corporation (which had acquired a major interest in the Malaysian tin-mining industry in 1965), to launch a successful bid for LTC's shares on the LSE. Subsequently, Chartered's and LTC's interests were merged to form the Malaysia Mining Corporation, over 70% of which was owned by PERNAS. van Helten and Jones, 'British business', pp. 184–5; Saruwatari, 'Localisation', pp. 378–9.

Such concerns were reflected in the financial minutiae of the GCL takeover. The £282 million required to purchase the GCL shares was transferred from Petroliam Nasional Berhad (PETRONAS; the government-owned national petroleum company) and PERNAS since such a huge sum could not be covered by PNB's unit trust funds. But the account into which this money was paid could not be in the name of PETRONAS, PERNAS, PNB, the Ministry of Finance, Bank Negara or any other government agency because this would suggest 'nationalisation'. Hence, a Swiss bank account was opened in Khalid Ibrahim's name, allowing Rothschilds to abide by established 'gentlemanly' City norms and assure the LSE that the Dawn Raid did not amount to government sequestration.¹²⁰ Rowe & Pitman, the London stock broking firm, described by *The Economist* as 'the dawn raid specialists' was also carefully selected because it had 30–40 jobbers on the floor of the LSE to telephone the prospective sellers of GCL shares to secure their acceptance immediately after trading commenced on the morning of 7 September 1981.¹²¹

In identifying the wider Malaysian context of the Dawn Raid, it should also be appreciated that PNB's swoop on GCL, notwithstanding its drama, was not an isolated case. In April 1981, PNB had acquired over 70% of the Malaysia Mining Corporation (MMC) from the PERNAS subsidiary, Tradewinds (M) Sendirian Berhad. Being also an owner of nearly 35% of Malayan Tin Dredging (MTD), PNB was instrumental in the merger of Malaysia's two leading tin companies, MMC and MTD, which was formally announced in October 1981 and would create the world's largest tin-mining operation. The newly KLSE-listed MMC would be chaired by Desa Pachi given that PNB owned over 56% of the issued share capital.¹²² After the Dawn Raid, 'like a cleansing ale after a strong shot', PNB 'quaffed' 40% of Barlow Plantations for just over M\$60 million, leaving Barlow Holdings, the British parent, with a 30% minority share in the company's 35,000

¹²⁰ Khalid interview, 2 November 2007; 'When the big boys came home', 3 September 2007.

¹²¹ 'Requiem for a rubber planter', 12 September 1981; 'When the big boys came home', 3 September 2007. According to Bank of England officials, the dawn raid technique had largely been developed by Rowe & Pitman during the summer of 1980. BoE, General File No. 161890, Note by Fuggle for Dawkins, 8 December 1981.

¹²² 'The buyers are willing, the sellers weak' and 'Permodalan chief heads MMC' in *FEER*, 2 October and 4 December 1981; Khalid, 'Investments and growth'; Saruwatari, 'Localisation', p. 380.

acres of Malaysian plantation land.¹²³ The drama of the Dawn Raid also brought the recalcitrant board of H&C to heel: after six years of inconclusive and stalled discussions between H&C and the Malaysian authorities, PNB entered the ring in mid-April 1982 and within six weeks a deal was struck whereby H&C finally gave up its demand to have majority control of its 167,000 acres of Malaysian rubber and oil palm. PNB and H&C would become partners in a new Malaysian company set up to acquire Harrisons Malaysian Estates. PNB would control over 50% of the new Harrisons Malaysian Plantations Berhad, with H&C permitted to retain a minority 30% shareholding.¹²⁴

The Dawn Raid should also be viewed against the backdrop of Sino-Malay rivalry for control of Malaysia's commanding heights. GCL's poorly performing manufacturing, trading, chemical, consumer goods and engineering equipment firm, Guthrie Berhad (Singapore-based but with extensive interests in Malaysia as well as Brunei), was sold to Multi-Purpose Holdings (MPH) for over S\$100 million three months before the swoop. Admittedly, this was Malaysianisation, but much to the annoyance of the Malay political and bureaucratic elite, it was not 'bumiputeraisation'. MPH, a public, non-listed company, acted as the investment wing of the MCA, and was chaired by Lee Loy Seng.¹²⁵ MPH was a subsidiary of the Koperasi Serbaguna (M) Bhd (KSM; Multi-Purpose Cooperative Society), first established by the MCA in 1968 to invest in land, rubber, oil palms and manufacturing on behalf of its members, and modelled on the MIC's National Land Finance

¹²³ 'Buyers willing, sellers weak', 2 October 1981.

¹²⁴ 'Sunset on British estates' in *FEER*, 11 June 1982; Peter Pugh *et al.*, *Great Enterprise: A History of Harrisons & Crosfield* (London: the firm, 1990), pp. 249–53. This course of events was far from disastrous for H&C because through money earned from the sale of shares to PNB, the investment group was able to pay back £85 million borrowed to finance diversification into North American and Australian chemicals. H&C, renamed Elementis in 1997, was thus able to 're-invent' itself as a speciality chemicals group. Geoffrey Jones and Judith Wale, 'Diversification strategies of British trading companies: Harrisons & Crosfield, c. 1900–c. 1980' in *Business History*, 14, 2 (April 1999), pp. 79–80; Jones, *Merchants to Multinationals*, pp. 321–2, 325, 335. In contrast, GCL's non-Malaysian business was sold off in one block, and the group's British identity swiftly ended. The £282 million paid for GCL was more than recouped by the sale of the non-Malaysian interests. As Khalid commented, 'we literally got Guthrie for free'. Khalid interview, 2 November 2007; 'When the big boys came home', 3 September 2007.

¹²⁵ Mahathir had also been angry at the actions of Dunlop Holdings, which was negotiating with PNB for the localisation of its plantation subsidiary, but eventually sold the majority of its shares to the highest bidder. This proved to be a non-Malay enterprise in the guise of MPH. 'Tough guy takes over', 30 October 1981; see also Saruwatari, 'Localisation', pp. 376–83.

Co-operative. MPH, however, had only finally been incorporated in 1975 after which the acquisition of plantation, manufacturing and property interests grew apace.¹²⁶ The cooperative's ambition was to become a Japanese-style *sogo shosha* (general trading company) and it hoped to be listed on the KLSE by the end of 1981 with the largest rights issue in Malaysian history of M\$385 million. MPH could boast 27,000 Malaysian Chinese direct shareholders and some 83,000 attached to KSM. During 1981, MPH had attempted to purchase a controlling interest in the United Malayan Banking Corporation (UMBC), Malaysia's third largest bank. Finance Minister Razaleigh defended MPH's right to proceed with 'a straight commercial deal' but *bumiputera* politicians, led by UMNO's youth wing, attacked the UMBC takeover as an onslaught on the NEP. Mahathir had to intervene, and promise to work out an arrangement whereby the needs of NEP restructuring and non-Malay business could be satisfied: MPH and PERNAS would become co-shareholders, each with a 41% stake in UMBC, while PETRONAS would ensure *bumiputera* domination by holding 9%.¹²⁷

Meanwhile, Lee's own flagship company, KL-Kepong, which he had acquired from British interests between 1969 and 1972, also owned over 25% of Highlands and Lowlands, formerly controlled by Barlows, and there was a distinct possibility that Barlow Holdings would fall to KL-Kepong too.¹²⁸

Hence, by 1980, non-Malay Malaysian businesses and individual investors had actually slightly exceeded the 40% participation rate in the corporate economy which the NEP hoped them to reach by 1990. However, Malay ownership was still lagging behind in the NEP aspiration of reaching equity ownership of 30% by 1990. By 1980, the Malaysian state had invested about M\$2.1 billion (US\$954 million) in 674 companies on behalf of the *bumiputera*. This represented some 8.2% of total corporate equity, while individual *bumiputera* ownership was barely half that at 4.2%. A 12.4% Malay ownership of the corporate

¹²⁶ TNA, FCO 24/249, Guy Duncan to Trevor Mound, 18 January 1968; Gomez, *Chinese Business*, pp. 83–6.

¹²⁷ 'Out of the doldrums' and 'The doctor's dilemma' in *FEER*, 26 June and 17 July 1981; Gomez, *Chinese Business*, p. 87. UMNO Youth had also been incensed by the Dunlop sale to MPH before the Dawn Raid. Chew, 'Changing directions', p. 355.

¹²⁸ 'Out of the doldrums', 26 June 1981; Gomez, *Chinese Business*, pp. 158–9.

sector had admittedly leapt from the 1970 share of just 2.4% but the proposed NEP target for 1980 was actually 16%.¹²⁹

Conclusion: The Prioritisation of Causation

The prime causal factors of the Guthrie Dawn Raid which have been examined in this article—the conservatism of British enterprise in Malaysia, declining Anglo-Malaysian relations and the demands of the NEP—were not necessarily mutually exclusive. As with all complex historical phenomena, the causes of change interlocked, intersected and interconnected.¹³⁰ But certain causal factors can still be more important than others. For Tun Dr Mahathir, interviewed in Kuala Lumpur in July 2007, the Dawn Raid's origins lay within the 'unfinished business' of decolonisation. The assault on GCL was part of the wider objective of reversing the repatriation of profits to the former imperial power and guaranteeing that the wealth generated by Malaysia's natural resources was fully enjoyed by Malaysians. The Dawn Raid was part of the process of removing the last vestiges of colonialism, which in Mahathir's view had resulted in Malaysia being exploited for the benefit of another country. This was part, therefore, of a justified *revanche* given the sale of concessions at very low prices in the late nineteenth and early twentieth centuries from bamboozled Malay rulers at a time when corporation and export taxes did not exist.¹³¹

But this Malaysian nationalistic discourse does not explain the specific timing of PNB's exciting move against Guthrie in September 1981. That juncture was not significant in the context of external factors, that is, poor Anglo-Malaysian relations, but rather in terms of internal domestic considerations, namely, the launch of ASN to increase individual Malay equity participation which coincided with intensified Sino-Malay business rivalry within the NEP in which the *bumiputera* were in danger of falling behind the better established

¹²⁹ 'Dividend for the people', 23 January 1981; Chew, 'Changing directions', pp. 347–8.

¹³⁰ A classic example here is the process of Britain's retreat from empire generally. See John Darwin, *The End of the British Empire: The Historical Debate* (Oxford: Blackwell, 1991); Nicholas J. White, *Decolonisation: The British Experience Since 1945* (Harlow: Longman, 1999).

¹³¹ Mahathir interview, 17 July 2007.

non-*bumiputera*. The rise of MPH, for example, brought to the fore longer-term Malay concerns. Indeed, from the ruling party's inception in 1946, UMNO had been preoccupied with the possibility that declining British influence in Southeast Asia could result in ethnic Chinese domination of the Malayan/Malaysian economy.¹³² Ismail Ali was particularly significant here because as has been demonstrated in this article the head of PNB in 1981 had been deeply concerned since the mid-1950s that limited state intervention in the post-colonial economy would prejudice the *bumiputera* in favour of foreign and Malay(sian) Chinese and Indian interests. Nor in this sense was the Dawn Raid a product primarily of innate conservatism within GCL. Guthrie's directors were actually on far better terms with the Malay elite, and Ismail Ali especially, compared to H&C. Paradoxically, it was the relative liberalism and dynamism of the GCL group, and its dispersed shareholdings, which made Guthrie an easy target in September 1981.

¹³² During 1946, for example, there was much concern among UMNO members that a proposed transfer of US\$50 million from Nationalist China to rehabilitate Malayan Chinese industries following the Japanese occupation would further boost the Chinese business grip at the expense of Malays who lacked similar funding opportunities. ANM, UMNO papers, UMNO/SG, 82/1946, enclosure by Abdul Majid Haji Mohamed in O/C Department of Economics UMNO, Penang to Tuan Haji Abdul Wahab, Dato Panglima Bukit Gantang, Ipoh, 19 September 1946. Similarly, foreign multinationals tended to be favoured by the UMNO-dominated government after 1957 in the development of import substitution industrialisation for fear of Chinese business preponderance, and a proposed wholesale buyout of British plantations in the later 1960s was shelved on similar grounds. See White, *Post-colonial Malaysia*, pp. 167, 215–6.