

The Last Big Sir
www.time.com
Aug. 10, 1962

In most of the world's new nations, expropriation and nationalization of private businesses are a constant threat. But not in Malaya, whose rubber-based economy has become the most solvent in Southeast Asia. Malaya's success stems from a rare Asian combination of government realism and business flexibility. Wisely its five-year-old government has resisted the temptations of nationalization and left the country's 3,500,000 acres of rubber trees in private hands, even though nearly half are foreign-owned. The owners have responded by changing their colonial ways and backing the government's efforts to improve productivity.

Leading the rubber planters in the difficult transition is Sir John Hay, 74, who is known in Malaya as a hard Scot with a soft streak. The last of the colonial *tuan besars* (big sirs), Sir John has been a dominant figure in the rubber world for almost half a century. The eleven plantations of his Guthrie Estates Agency Ltd., totaling 200,000 acres, are the most advanced in Malaya.

Good for All. As chairman of Guthrie, Sir John spends only one month each year on the Malayan plantations—the rest of the time his eye roves world markets from Guthrie's London headquarters—but he is deeply involved in Malayan affairs. Even before there was serious pressure for Malayan independence, he began training local men to take a hand in plantation management. At great cost, he pioneered the development of new grafting techniques and agricultural hormones that have produced higher-yielding rubber trees. By sharing his developments with the official Malayan rubber research agency and, along with other rubber planters, helping to finance it, he is now sparking the government's drive to help hundreds of small growers replant with high-yield trees. Last year Sir John's trees produced up to 1,000 lbs. of rubber per acre (v. 400 lbs. for older varieties) and brought Guthrie a \$10.4 million pretax profit on sales of \$31 million.

This kind of partnership for productivity has paid healthy dividends. Three years ago, Malaya displaced Indonesia—which had nationalized its rubber plantations—as the world's biggest producer of natural rubber. Last year, producing more than a third of the world's natural rubber, the Malayan plantations brought in a fourth of the new nation's income. Because of rubber, Malaysians enjoyed a high (for Asia) per capita income of \$113, v. \$40 for neighboring Indonesians. And because of this strong economy, Malaya may well be able to expand. Last week Britain agreed to link the four remaining parcels of the British Empire in Southeast Asia—Singapore, Sarawak, Brunei, North Borneo—with Malaya to create the far-flung Federation of Malaysia by next summer. The federation stands a good chance of success because of Malaya's success with rubber.

Synthetic Threat. For all his dedication to rubber, Sir John has been a leader in the move to diversify Malaya's economic base and has planted tea and palms (for oil) on one-fifth of Guthrie's acreage. "Malaya's heavy reliance on rubber is the weak plank in its economy," he says.

The toughest threat is from synthetic rubbers, which have already captured half of the 4,000,000-ton world market. Under pressure from synthetics, the price of natural rubber has dropped from 46¢ per lb. to 28¢ in the past year. (Average price of synthetics: 23¢.) But Malaya's efficient rubber producers can still turn a handsome profit because their plantings of high-yield trees have already brought the cost of production down from 23¢ per

lb. to 15¢, and when all the new trees reach maturity, they expect to further reduce costs to 10¢ per lb.

The nightmare of some natural-rubber men is that one day an obscure chemist may discover the "perfect" synthetic, much cheaper and more durable than natural rubber. But with firm confidence, Sir John is placing all his bets on the continued competitiveness and superior versatility of natural rubber. He says he would not put a penny into a "synthetic enterprise."

Copyright © 2007 Time Inc.

Source : <http://www.time.com/time/magazine/article/0,9171,873728,00.html>