Abdillah Noh
University of Oxford

Small Steps, Big Outcome:
A historical institutional analysis of
Malaysia’s political economy

Working Paper No.164
June 2010

The views presented in this paper are those of the author(s) and do not necessarily reflect those of the Asia Research Centre or Murdoch University. Working papers are considered draft publications for critical comments by colleagues and will generally be expected to be published elsewhere in a more polished form after a period of critical engagement and revision. Comments on paper(s) should be directed to the author(s) at abdillah.noh@politics.ox.ac.uk

© Copyright is held by the author(s) of each working paper: No part of this publication may be republished, reprinted or reproduced in any form without the permission of the paper’s author(s).
ABSTRACT

In analysing Malaysia’s consociational political and economic arrangement, current works choose to see Malaysia’s institutional arrangement as a given and pay little attention to the issue of institutional genesis. This paper holds the view that Malaysia’s political and economic character, described as a variant form of consociationalism, can be better understood by tracing the set of institutions that Malaysia inherited as a result of its colonial experience. In making such an analysis the paper gives centrality to the historical process and will apply concepts like path dependency, critical juncture, timing and sequence. In doing so, it intends to highlight the relevance of institutional genesis and that incremental, piecemeal changes which could be seen as so slight as to appear trivial could, over the long haul, produce profound transformation.

INTRODUCTION

“For an economic historian, time has always been something that is fundamentally disturbing, because there is no time in neoclassical theory. The neoclassical model is a model of an instant of time, and it does not therefore take into account what time does....I will be blunt: Without deep understanding of time, you will be lousy political scientists, because time is the dimension in which ideas and institutions and beliefs evolve...”

Douglass North, 1999

Consociationalism, to borrow Lijphart’s term, is often used to describe the Malaysian polity. According to Lijphart, the Malaysian polity subscribes to four elements necessary in a consociational democracy – grand coalition, proportionality, cultural autonomy, minority veto. Others, in attempting to define the Malaysian polity, borrow heavily from Lijphart’s definition. Mauzy (1993) defines the Malaysian polity as one of “coercive consociationalism” whereas Brown (1994) depicts Malaysia as an “ethnic democracy” and Stafford (1997) describes the Malaysian democracy as a “consociational variety”.

Based on such definitions, literature on Malaysia’s political economy largely involves attempts at understanding and finding explanations to the state’s political and economic character brought about by the plural nature of its society. In seeking answers to the Malaysian polity, various theoretical frameworks have been applied. In the early years after Malaysia’s independence in 1957, an ethno cultural argument was employed that touched on issues involving ideological discourse, Malay feudal practices, ethnic disposition and colonial
practice, emphasising that going forward, Malaysia’s ethnic pluralism will be a persistent irritant to state building efforts and democratisation process (Cator, 1941; Vasil 1971; Enloe, 1972; Milne, 1967). These works compliment the existing body of historiographical works on Malaysia. (Gullick, 1958; Arasaratnam, 1970; Wang, 1970; Wilkinson, 1971).²

From the late 1970s, work on Malaysia’s political economy has become more varied. Providing a sociological functionalist perspective, Abraham (1977) and Hirschman (1986) view Malaysia’s political character as socially constructed and argue that the institutionalisation of ethnic identity which associates ethnicity with economic function is a British import to serve colonial objectives. In the 1980s, major works on the Malaysian polity largely centred on class explanations. Brennan (1982) sees Malaysia’s stability after the race riot of May 1969 as an illusion where he maintains that beneath a peaceful exterior, ethnic cleavages remain. The enduring feature of ethnic cleavages, he says, is due to the presence of a new Malay bureaucratic class whose links with the old aristocracy and the landed class have managed to control the new economy and at the same time weaken previous relationships that involved the aristocracy, the landed and the Chinese capitalist class. In a slightly different vein, Halim (1982) highlights the unchanging character of class contention saying that “only the colour of the bureaucrat and capitalist has changed” and that the instruments of manipulation have become more “pervasive and sophisticated” (Halim 1982: 275). She elaborates that unlike the colonial period where interests and surpluses were dominated by national bourgeois and international capitalists, in post-colonial Malaysia such privileges are enjoyed by the state and bureaucratic bourgeois. Hui and Canak (1981) on other hand see continued class/ethnic conflict as a product of shifting hegemonic power involving three dominant classes – the Malay governing class, the non-Malay (mainly Chinese) capitalist class and the international bourgeois. They argue that class conflict was averted during the colonial era because the colonial state was able to assume total hegemonic dominance (political and economic) over the other classes and at the same time able to manage the expectation of the international bourgeois. In contrast, conflict in postcolonial Malaysia proves inevitable due to the lack of a dominant hegemon. This is because, in postcolonial Malaya hegemonic control is diffused with the Malay governing class assuming political hegemony and the non Malay capitalist class exercising economic hegemony. Hui and Canak (1981) argue that this inevitable class conflict is made complicated by the emergence of a third hegemon, the “state capitalist”, which is highly aligned to the Malay capitalist class. Another prominent class-based argument is Jomo’s (1986) Question of Class. The work traces the continuity of class formation from pre-colonial to colonial Malaya. Using
the issue of land and commodity production, Jomo (1986) argues that Malaya’s uneven development is due to the central role played by the state in perpetuating class bias. He also adds that the international economy has made it difficult for Malaysia to undo the class structure thus explaining the open nature of the Malaysian economy. Given such reasoning, he sees ethnic-class contention as an enduring feature of the Malaysia’s political economy. He claims that an ethnicity-blind class struggle is a distant possibility given the continued domination of the state by Malay political elite who continue to perpetuate class bias by drawing support from poor Malays through the use of fear of Chinese political domination.

If class arguments dominated works in the 1980s, the 1990s saw liberal frameworks being applied to explain Malaysia’s political economy. These largely focus on the Malaysian political economy post 1970s and gives special attention to Malaysia’s New Economic Policy (NEP) and the impact the policy bears on the state’s political and economic outcome. In describing the development of democratisation in Malaysia, Crouch (1996) argues that current institutional arrangements, with special reference to the New Economic Policy (NEP) has created a Malay rentier class, a Malay business class who seeks political patronage. He says that facilitation by the state in nurturing such a class has created economic distortion and caused a backsliding of the democratisation process. Gomez and Jomo (1997) describe the Malaysian state as increasingly authoritarian and cite the NEP as one example that has brought about misallocation of resources and inefficiency. They argue that high state intervention has perpetuated business patronage and rent seeking activities. Along somewhat similar lines Jesudason (1989) sees the state as largely responsible for Malaysia’s economic inefficiency and singles out the NEP as a major contributor. The NEP he says has failed because rather than produce a Malay business class that can provide meaningful contribution to the economy, the NEP has ended up creating a “parasitic” Malay bourgeois who is propped by “strong links to political power and Malaysia’s moderately high growth rates” (Jesudason, 1989: pp 105 - 108).

Though the above studies on Malaysia’s political economy are varied these works see institutions as a given. Rather than devote attention to issues of institutional genesis and historical analysis that could probably hold answers to Malaysia’s existing institutional arrangement, they attribute existing institutions to the function they perform either for the system or for powerful actors (Thelen, 2004:24). Put differently, these works do not lay importance on the processes of institutional formation which could facilitate or constrain the choices open to policy actors. Though Gomez and Jomo (1997) and Lim (1985) do make historical inferences, these references are made for the purpose of “setting the stage” for the
larger narration rather than making analysis on the historical processes. These works for instance see the NEP as an institution, as a given, and have not suggested that the “affirmative qualities” inscribed in the NEP actually drew heavy inspiration from British colonial policies. In evaluating the NEP they do not take into account that the NEP document is really nothing “new”. Further, rather than see the importance of institutional genesis, these works tend to view the NEP or Malaysia’s political and economic institutions as static or unchanging. This is in contrast with works by Stafford (1997) and Edwards (2005) who claim that the NEP, in fact, has evolved, piecemeal as it may be, and has taken into account Malaysia’s changing political economy. Stafford (1997) for instance describes the extent of change in the NEP, stressing that “ethnic concerns are now overshadowed by the realities of the international economic order and…the government realisation that ethnic accommodation can only be successful within the confines of an outward looking expanding economy” (Stafford, 1997). Edward (2005) also demonstrates how the NEP has raised Malay participation across all sectors of Malaysia’s economy. She however sees change as a slow process arguing that even when the NEP has raised Malay participation across all sectors, there still remains an over representation of certain ethnic groups in particular sectors of the economy, pointing to a higher concentration of Malays in the public sector and a high concentration of non Malays in the private sector. Works by Stafford (1997) and Edwards (2005) serve to reiterate the point that besides adopting a functionalist or liberal perspective to explain Malaysia’s political economy, there is also a need to pay attention to issues of institutional evolution and change.

In fact, the works by Edwards (2005) and Stafford (1997) compliment those of Barraclough (1985), Horowitz (1985) and Horowitz (1993) insofar as they underline the need to appraise Malaysia’s institutional qualities in order to better understand the state’s policy orientation. Barraclough (1985) for instance highlights the importance of Malaysia’s state institutions which continue to be used and retooled to entrench ethnic policies through coercion. Horowitz (1993) singles out Malaysia’s federal arrangement and the arrangement of a grand political coalition as important institutional features of the Malaysian polity.4 In comparing Sri Lanka and Malaysia, Horowitz (1989) attributes Malaysia’s success in managing ethnic conflict to the set of institutions that Malaysia possesses which he describes as an “interplay of conflict-fostering conditions and conflict-reducing processes and institutions” (Horowitz 1989: 21). Even Crouch (2001) in his later work suggests that ethnic peace and development in Malaysia are made possible because of the existence of an institutional arrangement, manifested in the tacit contract that non-Malays entered with
Malays in exchange for security and peace. The above works suggest the presence of idiosyncratic qualities of the Malaysian polity. They lend further support to this paper’s key research attempt: to search for sources and processes that contribute to Malaysia’s idiosyncratic institutional arrangement and to trace Malaysia’s institutional genesis.

It is against such context that this paper is based. It takes the view that history matters and suggests the need to apply a historical institutional analysis to explain the character of Malaysia’s political economy. It hypothesises that Malaysia’s political and economic complexion, characterised by a variant form of consociationalism, can be better understood by tracing the set of institutions that Malaysia inherited as a result of its colonial experience. In providing an alternative interpretation to Malaysia’s political and economic character the paper gives centrality to the historical process and wants to drive home the point that Malaysia’s political and economic character is evolving and that incremental, piecemeal changes which could be so slight as to appear trivial could, over the long haul, produce profound transformation. By emphasising institutional genesis it will demonstrate how institutional change is a result of actors’ constant struggle over the form that institutions should take and the functions they should perform (Thelen, 2004:32). The paper will describe for instance, how British policies played a crucial role in distributing power among the various actors and in influencing their interaction and coordination over time. British adoption of a liberal immigration policy in the eighteenth century, its reliance on migrants rather local actors in mobilising the economy, its policies that allowed a degree of administrative autonomy to migrant and local communities and Britain’s single minded pursuit of economic extraction without giving due attention to the political and social ramifications of an evolving plural society, led to Malaya’s idiosyncratic development trajectory. The details of such processes will be dealt with in the following sections. But suffice it to say, that understanding Malaysia’s political economy requires appreciating the timing and sequences of historical events and noting the impact of British rule and institutions that brought about a new set of political, economic and social arrangements, giving Malaysia's political economy its idiosyncratic quality. In making such an analysis the paper will draw from a range of literatures on institutionalism and will apply concepts like path dependency, critical juncture, timing and sequences in explaining the character of Malaysia’s political economy (see Collier and Collier, 1991; Ertman, 1997; Hall, 2001; Pierson, 2004; Thelen, 2004; Posner, 2005; Mahoney, 2006). These concepts will be discussed below.
Critical juncture moment is defined as the occasion where an institutional arrangement is adopted from among several alternative arrangements. It is “critical because once an institutional arrangement is selected it becomes progressively more difficult to return to the initial point when multiple alternatives were still available.” (Mahoney, 2000:513) For instance, the start of British colonialism and influence in the Malay States was a critical juncture period, as the adoption of British administration “reorganised” the existing administrative arrangement and “laid down boundaries within which all (national) leaders were to operate in the post colonial era” (Hefner, 2001:19). The word “period” is used instead of “moment” to convey the idea that the nature of British colonial influence over the Malay States was not at a particular moment in time but rather occurred gradually, gathered momentum and became more pervasive over time.

Timing and sequences refers to the temporal ordering of events or processes that produce significant impact on outcome (Pierson, 2004). Goldstone (1984) defines timing and sequence rather crudely by describing them as “just happened that this happened first, then this, then that, and is not likely to happen that way again” (Goldstone, 1998: 833). Tilly (1984) defines timing and sequence as “when things happen within a sequence affects how they happen” (Tilly 1984: 14). Emphasising timing and sequence is not just about stressing what happened but when did an event happen and how events situate themselves at a particular moment (see Pierson, 2004). For instance, the large migration of labour, mainly organised Chinese labour from the Straits Settlements into the western coastal Malay states that started in earnest in the 1850s, was brought about by a conjuncture of independent events – the implementation of the Britain’s Peel’s Reform Act of 1842 that reduced tariff on imported tin, the increase in the global price of tin which generated interest in tin exploration in the Malay States and the end of the Opium War in 1842 which freed the main ports of Southern China for labour migration. This concatenation of events generated large interest in the rich tin mining areas of the western coast Malay States and set off further influx of migrant workers from China to the Straits Settlements and into the Malay States. To take another example, the heightened sense of political and economic demands by non-Malay actors (Chinese) from 1900s coincided with the shifting coalition between Chinese businesses and British administration. Demand was also triggered by a looming global depression and growing sense of marginalisation experienced by traditional Chinese leadership as a result of
a more assured British administration and a sophisticated economy that relied less on the Chinese as middlemen in the running of the economy. Heightened demand by non-Malays in the 1920s could also be due to the Chinese community’s consolidated position within the political and economic arrangement of a new British Malaya which allowed the community greater access to air their grievances.

The examples above show that concepts of critical junctures, timing and sequence are highly tied to another concept, path dependency. Path dependence refers to the idea “that what has happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later time” (Sewell, 1996: 262-263). Or to put rather crudely a condition where “one damn thing follows another” (David, 1985: 332). Path dependency is such that once a state has chosen a particular development track the costs of reversal are very high. There will be other choice points, but the entrenchment of certain institutional arrangement obstructions an easy reversal of the initial choice (Levi, 1997:265). For instance, during the eighteenth century, British induced policies and institutional arrangement began to assume a more dominant role when compared to indigenous institutional structures and adoption of such institutions made it progressively difficult for indigenous actors to return to the old institutional arrangement. To take another example, increasing participation of non-Malay actors in the political economy of the Malay States after 1850s and the incorporation of these actors into states’ political and legislative structures by British and Malay authorities, made it increasingly difficult and unlikely for the Malay States to revert to previous state-society arrangement.

Institutions here refers to what North (1994) describes as the “rules of the game.” It involves formal or informal constraints that inhibit or facilitate how societal actors behave or ideational structures that influenced a patterned behaviour (Hall and Taylor 1996). In pointing out the relevance of institutions and states’ idiosyncrasies Andersen (1978) points out that to understand policy one needs to know the national language of political discourse as “different political system locate similar problems in different realms of policy discourse and therefore may respond differently to the same problem” (Andersen, 1978: 249).

It is now appropriate to describe the main highlights of institutional genesis and development that has shaped the character of Malaysia’s political economy. In analysing this political and economic transformation the paper divides the historical timeline into four main periods: 1800 – 1850, 1850 – 1874, 1874 – 1920, and 1920 – 1950. These periods are chosen because they highlight junctures, where there is a delineation of political, economic and
social development from the previous period. Below are the main highlights of the various periods.

1800-1850: THE START OF BRITISH INFLUENCE IN THE MALAY STATES

The year 1800 was chosen because despite British initial foothold in the island of Penang in 1786, British influence on the Malay States before the date was still at a nascent stage. In fact, the beginning of significant change to the political economy of the Malay States came with the signing of the Anglo-Dutch Treaty of 1824, which divided the Malay Archipelago into Dutch-controlled East Indies (present day Indonesia) and British-controlled East India which was initially made up of the trading ports of Singapore, Penang and Malacca, collectively called the Straits Settlements.

The Anglo Dutch Treaty carved out British and Dutch spheres of control, which meant that the Malay Peninsula by default came under British spheres of influence. Initially, British policies were geared towards turning the Straits Settlements, which lay on the fringes of the Malay Peninsula, into thriving transhipment hubs for the trading of goods and services from India, China and the rest of the Malay Archipelago. However, the phenomenal economic growth registered by the Straits Settlements in their early years and the consequent large population growth led to the Straits Settlements becoming a natural platform for the movement of capital and labour to the Malay States. Over time, the establishment of the Straits Settlements as a commercial hub made it increasingly difficult, if not impossible, for the Malay States to remain impervious to British political and economic influence.

Before the signing of the Pangkor Treaty in 1874 that started British official rule in the Malay states, British influence was subjected to the individual interest of the Governor of the Straits Settlement at the time. Several treaties were entered between Britain and the Malays States but they were motivated by the need for Britain to maintain influence over the Malay States for purpose of trade. The statement by Stamford Raffles, the founder of Singapore, underlines the point that British engagement with the Malay States would be different from that of the Straits Settlement as

….they will comprise the maintenance of a due influence among the native states and such interference in each, as may tend to secure the British interests and remove obstructions in the way of a free commercial intercourse with them. It will be an object to avoid all interference which may involve our government in their internal disputes, at the same time that we cultivate
and improve our connection with them by all the influence and support that they can reasonably look for from a powerfully and protecting authority (Madden 1953: 74-76).

Judging from the treaties entered with the Malay States, it is evident that the British authority, at least the Straits Settlement administration, implicitly knew of the extent of their authority and pervading influence over the Malay States, despite East India Company’s insistence of non interference under the Pitt’s India Act of 1784 (Buckley 1902: 256). Before 1874, the British had treaties with Selangor, Johor, Perak and Kedah. In 1824, Robert Fullerton, Governor of the Straits Settlements ordered patrol of the river mouths of Perak and Selangor. The treaty was entered to ensure the security of the Malacca Straits for trading purposes and at the same time to respond to requests from Malay rulers for British presence as a vanguard against potential Siamese attack on Perak and Selangor. There was also the Burney Treaty of 1826, which was also in response to request from the State of Kedah for British presence. The Burney Treaty demarcated the southern boundary of Kedah and in return for British protection, Kedah ceded to the East India Company a strip of land adjacent to the island of Penang, later called, Province Wellesley. The 1830s also saw the state of Johor, which is adjacent to Singapore, coming under British influence. In fact, the administration of Johor was effectively carried out from Singapore as the Temenggong of Johor, who was the effective ruler of Johor, resided in Telok Blangah in Singapore until 1866. During this time, Johor incorporated a British style administration. The Straits Settlement was also instrumental in promoting Johor’s economic development when in the 1830s, the Straits government helped Johor set up gambling and opium revenue farms and introduced the Kangchu system. Britain’s position as a de facto power in the Malay Peninsula was consolidated further when in 1862 a treaty was signed between the states of Johor and Pahang whereby both states agreed to refer all disagreement between them to the Straits Government. Further, the treaty also acknowledged Britain’s influence when both Malay States agreed not to engage any foreign power, without the consent of the Straits Settlement government (Sadka 1968: 59).

1850-1874: THE START OF A NEW POLITICAL AND ECONOMIC ORDER

This is a period of great political, social and economic flux as the Malay States grappled with the gradual introduction of British induced capitalism. During this period western coastal Malay States of Perak, Selangor and Sungei Ujong (Negeri Sembilan) started to experience
unprecedented influx of labour migrants (mainly Chinese) and capital from the Straits Settlements that would play a big part in charting the future direction of the political economy of the Malay States.

The movement of capital and labour into these states was due to a combination of factors. First, the increase in global tin prices in the mid half of the nineteenth century stimulated Straits merchants’ interest in prospecting for more of the metal in the tin bearing western coastal Malay States of Perak, Selangor and Sungei Ujong (Negeri Sembilan). Britain’s Peel’s Reform Act of 1842 that reduced duties on imported tin also triggered demands from British manufacturers for cheaper tin ores. Favourable global prices for tin and fresh demands for the metal also coincided with the end of China’s opium war in 1842 that opened Chinese ports and encouraged a large amount of Chinese labour migrants from southern China to make their way to the Nanyang (South Seas or Southeast Asia) and to the ports of the Straits Settlements. Besides the above factors, regional trade competition also made Straits Settlements merchants to increasingly look towards the Malay States for access to new markets. In the 1860s, Straits merchants faced stiff competition as a result of high tariff duties on imported goods imposed by Dutch-controlled East Indies and French-controlled Cochin China. This growing regional competition coupled with the opening of the Suez Canal in 1869 prompted Straits merchants to call on the Straits government to assume some form of control over the Malay States, with some even calling for Britain to take full annexation of these States.

The combination of cheap capital and labour that flooded the Malay States after the 1850s, the abundant resources available in these states and the feudal administrative arrangement practiced in the Malay States brought about collaboration between local Malay territorial rulers, Chinese capitalists and Chinese organised labour in the form of Chinese Secret Societies, which signalled the start of a new partnership. Although at this point, British authority did not take a direct role in the running of the state, British influence over the Malay States took the form of intervening in the political and economic affairs of these Malay states whenever Straits merchants (some of whom were British protected persons) and Chinese secret societies faced difficulties in conducting business transaction. Intervention took the form of advising Malay rulers and disputing parties to honour the various contracts and at times urging Malay States to keep their major waterways and the Straits of Malacca safe to facilitate trade. For instance in 1862, Colonel Cavenagh, then Governor of the Straits forced Perak’s Mantri of Larut to pay compensation to a Chinese secret society (Ghee Hin) for
contravening a mining contract, failing which the British authority would impose a blockade off the coast of Perak (Purcell 1947: 106).

The period 1850 – 1874 was also a time of increased political crisis as Malay rulers fought for control of resources. Economic development sparked rivalry between Malay chiefs to seize control of rich resources which prompted some of these chiefs to collaborate with Chinese towkays and Chinese Secret Societies and at times seek British official sanction in pursuing their claims. It was this combination of events, the presence of various new actors and weaknesses on the part of Malay rulers in managing the political and economic flux that made Malay feudal administration increasingly untenable.

THE PERIOD 1874-1930: OUT WITH THE OLD, IN WITH THE NEW
This period is important for several reasons. First, it ushered a new political and economic arrangement to the Malay States which, through series of events and processes, created a path trajectory that would define Malaysia’s future political and economic qualities. Second, the period highlights the importance of the concepts of timing, sequences and path dependency in understanding the role assumed by old and new actors. It depicts how initial moves, incremental as they might be, got consolidated over time, produced unintended consequences and helped define Malaysia’s political and economic trajectory. It will describe how British policies and the consequent impact of those policies on new and old actors created different sets of expectation to an increasingly plural Malayan society. These different sets of expectation would later define Malaysia’s future political arrangement.

The Pangkor Treaty changed the political economy of the Malay States as it discredited the old feudal structures and introduced a new form of alliance between the old (Malay) actors with new ones (European and Chinese). British rule saw existing feudal structures making way for new, British-inspired political and economic arrangements. Some of these changes include the formation of the State Council as the highest legislative body, the introduction of civil administration and the imposition of property rights laws. Further, state revenue and expenditure were now handled by British appointed administrators. Taxes and charges on the use of river ways were now carried out by British appointed officers and police force. To streamline revenue the British administration imposed a unified taxation for opium, spirits and gambling.

Literally overnight, the string of measures imposed by the new British administration eliminated the influence of Malay chiefs and relinquished Malay chiefs’ access to traditional
sources of revenue, which was based on taxation on resources under their territorial control (Kennedy 1962: 171). To mitigate the lost of revenue, some Malay chiefs were given pension while others were appointed as members of the State Council. By 1890s, the British administration had removed almost all vestiges of feudal practice including debt bondage and corvee labour.

Soon after securing control of the states of Perak, Selangor, Sungei Ujong, British authority went on an overdrive at mobilising capital and labour. And in contrast to its treatment of the old actors, British effort at modernising the economy translated to meeting the interest of an important new actor – the Chinese business community. British policies were highly utilitarian; they needed Chinese capital to modernise the economy and Chinese labour to work the tin mines and rubber plantations. Hence, in its treatment towards the new actors, mainly Chinese, the British adopted minimal interference in their political and social affairs so long as the Chinese population delivered the economic good. Given such a need for Chinese capital and cheap labour, the Chinese Secret Society movement, which acted as a convenient form of organised labour, was tolerated by the British authority throughout almost the whole of the nineteenth century. Despite British knowledge of criminal elements linked to Chinese Secret Societies, the British authority exercised forbearance to Chinese Secret Societies’ activities and at times protected their tin mining interest in Perak, Selangor and Sungei Ujong. It is also interesting that Britain’s decision to outlaw Chinese Secret Societies in 1890 under the Societies Ordinance came at a time when Britain was starting to place less reliance on traditional economic activities, which were the preserve of the Chinese business.

Besides the mobilisation of organised labour into the Malay States, the appointment of new actors into the new state legislative body also reflected British recognition of the economic importance of new actors. The incorporation of new actors into state legislative body was also an acknowledgement of the existence of business links between European officials, Chinese Secret Societies and wealthy Chinese Towkays. In 1876, for instance, the British appointed two Chinese Headmen from contending secret societies as council members in the Perak State Council. This was a departure from Perak’s traditional law which prohibited non Malays from taking legislative role and from owning lands. The appointment of new actors (Chinese) in the legislative body was replicated in Selangor where influential Chinese Secret Society Headman, Yap Ah Loy, became member of the State Council. A British priority on nurturing a working relation with the important Chinese community is also reflected in the establishment of the Chinese Protectorate in 1877. The Chinese Protector was a British appointed officer and usually one who spoke Chinese and well acquainted with
Chinese customs. The main task of the Chinese Protector was to manage the affairs of the Chinese community.

Besides the above, throughout the nineteenth century Chinese migration was encouraged. Chinese labour contracts were amended to prevent new Chinese immigrants (Sinkhehs) from being abused or to prevent “Chinese labourers from being shanghaied to work in Sumatra” (Mills 1960: 209). In 1880 the immigrant ordinance was fine-tuned to prevent labour abuse (Mills 1960: 209). In 1891 the Chinese Agricultural Labourers Protection Ordinance was enacted to protect Chinese labourers (Chai 1967: 112). Besides encouraging migration to serve Malaya’s mining interest, Britain also encouraged the setting up of Chinese agricultural colonies in the Malay States. Perak Resident, Hugh Low, promoted the setting up of Chinese sugar plantations in Krian, with the land being provided rent free. There were also other moves at encouraging Chinese labour migration. In 1898 for instance, Frank Swettenham, then a Resident-General, partnered with Chinese merchants from Singapore to form a syndicate to establish a steamship company to trade directly with China and to obtain direct labour from China. As Swettenham remarked,

As we rely mainly on the Chinese to contribute to our revenue, carry out our public works and to work our mines…it is of the extremest importance that the supply should continue in sufficient quantities to meet the needs of the country.⁸

There were other measures at encouraging Chinese migration. In 1903, British authority allowed the importation of Chinese agricultural colonies from Foo Chow province in China to set up similar colonies in Perak, where the Chinese colony were given three acres of land each and allowed to operate their own welfare and educational system.⁹ The British authority also made it attractive for migration by allowing the creation of autonomous Chinese social organisation. It allowed Chinese communities to establish their own form of social and educational organisations replicating those in China. Schools were funded from the community, teachers were brought in from China, and syllabuses followed that of China and textbooks printed in Shanghai (Purcell 1947:231-2).

It is also apparent that at the time the Chinese community showed strong transnational tendencies, a reflection of a community that was still holding hopes of returning to their motherland. In fact, despite the increase in presence of Chinese in Malaya, British officials thought at the time that the migrant communities were mere economic agents and that the majority of Chinese in Malaya were sojourners. This was reflected in the views of Sir Hugh
Clifford in 1902, Governor of the Straits who said, “Those who fancy that the Chinese are anxious to rule the communities to which they belong in the sense of themselves taking any large part in the dull work of administration, are, I believe, mistaken” (Krastoka 1982: 269). Such official British thought freed the British administration from indulging in efforts at mitigating the impact of transnationalism among its migrant communities, hence saving the administration from costly social and political responsibilities. Of course, historical process proved Sir Hugh Clifford wrong, as Chinese assumed greater permanence, imposed greater demands on the Malayan polity, took on new roles in the Malay States and helped define Malaya’s political economy.

In the twentieth century the Malayan economy took on greater sophistication. With feudal practices removed, and the Malayan economy registering phenomenal growth the twentieth century saw a more assured British administration. This assuredness and the need to embark on a more sophisticated economy also meant a changing role of Chinese as major economic actors. In effect, the twentieth century saw the start of the declining role of Chinese as middle men and prime mover of the colonial economy. Chinese businesses that enjoyed near monopoly of tin production and revenue farming now faced greater competition from European businesses. There was also increasing calls from British and European mining interests to participate in Malaya’s tin mining industries and to have greater access to Malaya’s resources. In the 1890s for instance, the British administration was criticised by European business interests who claimed that the administration was more concerned at promoting Chinese enterprises (Yip 1969: 151).

This new posture adopted by the British authority strained Chinese businesses which were already hurting from a series of British policy changes since the 1890s. Chinese economic dominance was eroded by the abolishment of gambling and opium revenue farms in 1902 and 1912 respectively. Outlawing Chinese secret societies in 1890, which was an organised form of Chinese labour - a linchpin of Chinese tin mining control – only served to increase the cost of production for Chinese enterprises. Also, the disbandment of secret societies released Chinese labour from any form of contractual agreement, making them free agents which eventually led to a hike in wage rates. Besides a high cost of labour incurred from an atomised Chinese labour force, Chinese mining companies also faced the need to employ more sophisticated mining production techniques, as the rapid depletion of alluvial tin deposit required them to do away with labour intensive techniques. The need to adopt new mining techniques was given a further nudge by the enactment of the Mining Code in Perak in 1895. The Code, which was later followed by other Malay States, was meant to
regulate tin mining industries and to emphasise the need to employ technologically advanced mining techniques. The failure to comply by such a code and burdened by high production cost caused the eventual closure of many Chinese tin mining enterprises (Yip 1969:150-1).

In contrast, the Code proved favourable to British and European mining companies that were already employing a more sophisticated production technique. The favourable condition led to the growth of European businesses and the gradual phasing out of uncompetitive Chinese tin mining companies. The result of these changes was staggering. If in 1920, European firms produced 36 percent of total tin output with Chinese making up 64 percent of total tin production, by the 1930s, the figures were reversed; European companies took up nearly 63 percent of total tin output with Chinese mining companies producing the remainder (Yip 1969: 164-5).

This turn of events badly affected the Chinese merchant class, who hitherto had enjoyed support from British authority and assumed leadership of Chinese Kongsis. It was during this time that wealthy Chinese business towkays started to lose leadership of the Chinese labouring class with the ban on Chinese Secret Societies eroding further the base from which these Chinese leaders derived their political and economic support (Troki 1990; Andaya and Andaya 2001:206).

Despite this erosion of traditional Chinese leadership, the early half of the twentieth century saw the emergence of the Chinese community as an important political actor. Such political importance was brought about by two factors: firstly, the prevalence of Chinese transnational politics and secondly growing Chinese demands for equal political and economic opportunities. These two factors, however, were championed by two distinct groups of Chinese - the locally born Straits Chinese and China-born Chinese – who, at least until the Japanese occupation, had asynchronous political and economic priorities.

For the China-born Chinese, priorities in the early twentieth century were directed to the political struggle and economic events in China. During the early twentieth century there was importation of China’s political struggle into Malaya. The appointment of Qing consul in Malaya in the late nineteenth century and the influence of the republican struggle which led to the formation of the Kuomintang (KMT) branch in Malaya, in the early part of the twentieth century, pivoted the focus of the majority of Chinese towards China’s nationalism. For the large Chinese labouring class, most of whom still considered themselves as sojourners, there was a natural gravitation towards supporting China’s political struggle. For the wealthy China-born Chinese, their political posturing was more calculated. Given their official role as legislators within the British administrators, these towkays were pragmatic in
providing support to the British administration and at the same time deft enough to show their support towards the revolutionary struggle in China.

For the locally born Straits Chinese who could not speak Chinese, their outlook was Malayan rather than towards China. These English educated Straits-born Chinese began to demand the British administration to accord equal rights and criticised British affirmative policies that placed emphasis on Malay rights, saying that the policies were carried out at the expense of Chinese interests. Their disaffection with the British authority also came at a time when Chinese businesses were facing competition and economic depression. It was during this time (1920s and 1930s) that the likes of Lim Boon Keng, and Tan Cheng Lock - two prominent Straits Chinese - began to promote the “Malaya for Malayans concept.” In an address to the Penang Chinese Association, Lim Ching Yen, a Straits Legislative member and a Straits born Chinese, echoed the frustration of Straits Chinese business community.

Who said this is a Malay country? When Captain Light came here did he find any Malays or Kampongs? Our forefathers came here and had worked as labourers and they did not remit money back to China. They spend their money here and by this means the government was able to open this country into a civilised one. We have become one with this country. This is ours, our country.

The outlook of Straits –born Chinese however was not representative of the majority of Chinese for several reasons. Firstly, China-born Chinese never saw Straits born Chinese as part of the Chinese body politic, given that in the past, Straits born Chinese viewed themselves as British subjects and different from the rest of the Chinese migrant community. Also, the majority of the Chinese labouring class saw themselves more as birds of passage and still held thoughts of settling in China after their stint in Malaya. Equally important was that the demands made by Straits born Chinese for a Malayan Malaya were eclipsed by the more aggressive nature of Chinese transnational political activism promoted by the KMT. This transnational political movement diverted Chinese energies, especially China-born Chinese, towards the political struggle in China.

This surge in Chinese transnationalism toward China’s political cause was in fact aided by British hands-off policy which gave the Chinese community relatively free autonomy in managing their affairs and made it easy for the Chinese community to be held captive by China’s political struggle. The colonial administration’s minimal interference encouraged the introduction of transnational Chinese political organisations that imported the
affairs of mother country to Malayan soil. Importation of China’s politics started with the setting up of the Qing Chinese Consulate (later called the Consulate General) in Singapore in 1877 and a Vice Consulate in Penang in 1898. The objective of the consulates was to re-establish links between the Qing government and overseas Chinese. With time, the Consul came up with several measures that served to regenerate overseas Chinese interest in China’s affairs. In 1909 for instance, the Qing (Manchu) government announced the principle of *jus sanguinis*, one where overseas Chinese were considered Chinese citizen regardless of how long they had been outside China or where they were born which helped boost Chinese nationalism (Andaya and Andaya 2001: 207). Through the Consul, the Qing government also established links with wealthy Chinese businessmen. These wealthy Chinese *Towkays* were given Qing titles and in return these *towkays* funded the Qing dynasty to oppose the revolutionary movement brewing in China. Early twentieth century also saw the British administration allowing the setting up of China’s revolutionary Kuomintang (KMT) party. The KMT and later the Communist Party saw the *Nanyang* Chinese (overseas Chinese in Southeast Asia) as a great source of funds and support to serve their revolutionary cause. Headed by Sun Yat Sen, the KMT set up the Tong Meng Hui political party, first in Singapore in 1906, and then to the rest of the Malay States. By 1913, there were 13 branches of the KMT throughout Malaya. It also set up proxy organisations such as Reading Societies (*Bincheng Yeshu Boashe*) which later proved important in spreading KMT propaganda when the British authority outlawed the KMT in 1929. 

Besides the emergence of the Chinese community as an important political actor, the period 1874 – 1930 also saw a reconfiguration of the political role of old actors, the Malays. The early period saw the weakening of Malay political role in the running of state administration. The relationship between Malay rulers and Chinese businesses all but receded given the abolishment of the feudal practices. Under the British administration, relationship between the two actors was confined to the State Council. The relationship between Malay rulers and British administrators were also functional in so far as the British provided an administrative regime that was conducive to economic development.

In late nineteenth century there was further consolidation in the administration of the Malay States which led to further marginalisation of the traditional actors’ role in the running of the state. In 1896, the four Malay States of Pahang, Selangor, Perak and Negeri Sembilan were grouped under a new entity called the Federated Malay States (FMS). The prime reason for establishing the FMS was the need to streamline the disparate administration of the various states. This was necessary because the strong economic growth registered by the
Malay States had prompted greater need for integration of some administrative services. Another reason for the formation of the FMS was the need to have a centralised financial arrangement triggered by the growing concern that Pahang’s earlier economic promise did not live up to expectation.\textsuperscript{13}

The new administrative arrangement and formation of the Federal Council in 1909 changed further the Resident-Ruler relationship. It consolidated British dominance in the affairs of Malay States and exaggerated the already lopsided power relations between British and local rulers. If before the signing of the treaty “rulers and the council had never had any voice in the collection or distribution of the revenue; inter-state loans had been made at the Governor’s direction, and military police ordered out at a moment’s notice for service outside state borders; and the Ruler’s emission for all this had been sought, if at all, purely as an act of courtesy” (Sadka 1968:378). The treaty diluted further the power of Malay rulers. Following the Federal arrangement, State Councils were increasingly bypassed, as administrative details and decisions were worked out by Residents in consultation with the Resident General in Kuala Lumpur.\textsuperscript{14} Also, even though British Residents were officially tasked to act as advisor in the State Council with the Sultan as President, in reality the role of British Residents went beyond advising. British Residents increasingly assumed the role of President with the Sultan merely endorsing what had been agreed upon by the Resident. This lop sided arrangement was known to the British colonial office as even Lord Carnarvon acknowledged that “it is indeed clear that the Residents have exceeded the function of counsellors which they were intended to discharge.”\textsuperscript{15} Despite such acknowledgement, economic and political imperatives demanded that such lop sided power arrangement be tolerated.

However, even when the prime reason for the formation of the FMS was to promote greater administrative centralization, the decision produced unintended consequences. Besides paving the way for the future idea of federal arrangement and greater centralization, it created for the first time a pan-Malayan outlook. This pan-Malayan outlook was evidently absent before the formation of the FMS as Malay States were atomized political units, more inward looking and engrossed with their own domestic affairs. With the formation of the Federation, Malay rulers in the FMS started to see the need to address the increasingly secondary role they were assuming within the British administration. In contrast with conditions in the nineteenth century, the federation provided a common platform for Malay rulers to voice their grievances. At the second meeting of the Durbar of Rulers in July 1903,
the Sultan of Perak, Sultan Idris, reflected this diminishing role and the ambiguity of the Federation power arrangement.

.....if however, the four states were amalgamated into one, would it be right to say that one state assisted the other, because assistance implies something more than one, for if there is only one, which is the helper and which is the helped? A Malay proverb says that there cannot be two masters to one vessel; neither can there be four Rulers over one country.16

In the years ahead, Sultan Idris made a couple more gestures to air his displeasure. In 1905, he complained that the new federal arrangement bypassed the authority of the State Council and the role of the Resident which contravened the Treaty of the Federation.17 In 1907 he made it known to the Resident-General of his displeasure at the new federal arrangement and threatened to notify the Secretary of State and the King of England on the perceived lapses of the British administration.

Besides creating a pan Malayan awareness, the twentieth century brought a changed relationship between old actors (Malay) and the British administration. Up until the turn of the nineteenth century, British policies were highly geared towards economic development. As a result, British treatment to local Malay actors contrasted sharply with their treatment with regards to new actors. Before 1900, for instance, there were no policies geared towards economic promotion for local Malay actors paralleled to the ones that encouraged economic activities for the new actors. Education for local Malays were kept functional as

the aim of government is not to turn out a few well-educated youths, nor a number of less well-educated boys; rather it is to improve the bulk of the people and to make the son of the fisherman or peasant a more intelligent fishermen or peasant than his father had been, and a man whose education will enable him to understand how his lot in life fits in with the scheme of life around him.18

It was only after 1900, assisted by a pan-Malayan awareness that efforts were made by local Malay actors to call for some form of political and economic redress. Led by Malay aristocrats and English and Malay-educated professionals, this organised form of Malay nationalism reflected the increasing concern among Malays of their inequitable access to economic and political resources. Demands took the form of asserting for land rights, establishing organisations to cater to Malay entrepreneurs and restructuring of the federal systems to allow greater decentralisation and state autonomy. It was also during this time that the British administration started to revisit its policies and to raise concern that Malays had not fully benefited from Malaya’s economic development. The enactment of the Malay Land
Reservation Act of 1912, the setting up of rice mills in the North western states of Malaya and provision of credit facilities for small farmers in 1917 for instance reflected these concerns and helped to address the political and economic imbalance. In the demand for pro-Malay institutions, Malays not only attempted to reassert their political space but increasingly pressured the British authority to provide them larger economic space (Roff 1967; Amri 1997: 240-61).

In sum, the period 1874 – 1930 was a period of realignment of political and economic roles between Malaya’s old and new actors. It also shows the British administration’s central role in distributing resources between these actors. Of larger concern is that British policies left deep consequences with regard to political and economic expectations of old and new actors. This was the period where the old actors began to assert more control over the political and economic outcome of the Malay States. It was also during this period that saw the rise of Chinese transnational tendencies and the emergence of the Chinese community as an important political actor. Of course changes in actors’ expectation must not be seen in isolation as external events influenced such expectation and British policies. In the years after the 1930s, global economic and political development played a huge part in dictating British policies and in defining the character of Malaya’s political economy.

THE PERIOD 1930-1957: THE YEARS OF DIVIDED AFFILIATION, INDISPENSABLE NEGOTIATIONS AND COMMON DESTINY

This period reiterates the significance of timing, sequence and path dependency in dictating Malaysia’s development trajectory. It demonstrates how sequencing of events forced the merging of interests between the different actors which eventually led to Malaya’s independence in 1957. The concatenation of events led to the eventual realisation among Malaya’s different actors that the path development trajectory that Malaya had undertaken thus far, had made it almost inexorable that a lasting political solution rests on some form of power sharing arrangement. This merging of interest between the different actors came on the back of a series of events – the Sino Japanese war, changing political situation in China, the diminishing influence of China’s transnational politics, the Malayan Union proposal and the impact of the Malayan Communist Party (MCP) on post war Malaya’s political process. As will be briefly described below, these events helped reinforce Malaya’s development path and led to a variant of a consociational arrangement.
The 1930s saw Chinese transnational politics becoming more pronounced, precipitated by the considerable momentum that transnationalism had gained in the 1920s and the uncertain political climate in China. The period saw the British authority struggling to restrict the propagation of China’s political struggle into Malaya. The outlawing of the KMT in 1929 only encouraged the movement to go underground and to use front organisations like Reading Societies to further their political cause. In fact, the colonial government’s ban on the KMT membership in 1929 lasted only a year; in 1930 it was forced to reverse the policy as a result of diplomatic pressure from the Chinese government.19

Besides the KMT, communism also started to make their presence in Malaya during this period. Communism began in Malaya with the launching of the Nanyang Communist Party in 1925 which came about from a conference of Comintern Parties in Shanghai that called on the need to launch a struggle of a Malayan revolution. The Nanyang Communist Party was later renamed the Malayan Communist Party (MCP). Soon after, the MCP began to make a large impact on Malaya’s political scene, using various instruments to spread its propaganda. For instance, an Overseas Chinese National Salvation Association was set up to encourage Chinese youths towards patriotism and the communist cause. In 1934, the Communist activities were further enhanced by the setting up of the Communist Youth Section and the General Labour Union (GLU). In 1935, the General Labour Union became a conduit for industrial and mass agitation and was responsible for the frequent demonstrations against the British authority and demand for a Malayan revolution (Purcell 1948:218-220).

The rise of Chinese transnational political activities in the 1930s coincided with a Malayan economy that was feeling the effects of a global recession. The economic slump experienced in Malaya between 1930 and 1932, depressed prices of commodities, produced a glut in tin production and created massive unemployment that largely affected the Chinese population. The change in economic circumstances caused the British authority, for the first time, to tighten immigration into the Malay States and the Straits Settlements, which effectively marked the end of British free immigration policy in Malaya, after more than 100 years of British presence in Malaya.

The first restriction was enforced on August 31, 1930 under the Straits Settlements Immigration Restriction Ordinance. It was followed up by a more comprehensive Aliens Ordinance act which became effective in January 1933. Under this ordinance, quota restriction was imposed on the number of immigrants allowed into the Malay States and the Straits Settlements (Purcell 1948:203). The massive unemployment among the Chinese almost meant that the British authority needed to spend millions of dollars to repatriate
Chinese workers back to China. The restriction however, allowed Chinese women to migrate to Malaya. This created over time, a favourable male to female ratio that would lead to large increases in the Chinese population by 1947 (Ratnam, 1965). This is because British permission to allow unrestricted migration of Chinese women lessened the need for Chinese men to return to their motherland. Over time, British immigration policy of the 1930s made for a more settled Chinese population (Purcell 1948).

Despite the economic setbacks of the early 1930s, Chinese transnational politics continued unabated. In fact it picked up greater momentum towards the end of the 1930s as a result of the Sino-Japanese War. The war saw consolidation of Chinese support to the Kuomintang and Communist Party. This is reflected in the setting up of numerous overseas branches for purpose of funding and to ferment Chinese patriotism. Between 1932 and 1933, for instance, there were about 36 branches of the KMT throughout Malaya with membership totalling 12,000. Towards the end of the 1930s, and at the height of the Sino-Japanese war, there was a more assertive show of support for China’s war efforts. Overseas Chinese in Malaya raised almost $146 million for a China Relief Fund. Such contribution was the largest single contribution from overseas Chinese towards China’s political struggle. In 1941, another $110 million was channelled to fund the Sino-Japanese war with some Chinese opting to return to China to join in the fight against the Japanese.

The Sino-Japanese war and the eventual Japanese attack on Malaya gave rise to a militant form of Chinese nationalism headed by the Malayan Communist Party (MCP) and the KMT. In 1941, a joint committee called the Singapore Chinese Anti-Enemy Backing Council which comprised of members of the KMT and the MCP Party and chaired by a Chinese Towkay Tan Kah Kee formed a 1000 member strong resistance group called the Dalforce to fight the Japanese Army, with most of its members drawn from the Communist Party. During the Japanese occupation, the MCP and the KMT embarked on a guerrilla movement to offer resistance to the Japanese force. The major movement during the Japanese Occupation was the Malayan People’s Anti-Japanese Army (MPAJA), which was under the direction of the MCP.

The Japanese War in fact, gave legitimacy to the MCP and would later raise the profile of the MCP as an important political force. In the months before the outbreak of war, the MCP approached the British authorities on its willingness to send Chinese men to fight against Japanese forces. Under such an agreement, these men would be trained and armed by the British. Though the quickness of the Japanese attack aborted the plan midway, it was revived in 1943 when the MPAJA was approached by the British government which agreed
to supply arms, ammunition and explosives to the MPAJA. In return the MPAJA would accept the training of its officers by British liaison teams. Britain also agreed to fund the MPAJA with the equivalent of 150 taels of gold per month (3,000 pounds) (Purcell 1948:258-60). Though the MPAJA fought along British forces during the occupation, the MPAJA later admitted that the collaboration with the British during the war was out of convenience (Purcell 1948: 266). The partnership, between British forces and MPAJA was a fragile one because other than driving the Japanese out of Malaya, the MCP, of which the MPAJA was a part, had on its manifesto the need to end any form of imperialism with the support of China and Russia.

The period after the Japanese occupation raised the profile of the Chinese community as an important political actor. After the war, Malaya was marked by further Chinese agitation in their struggle against British occupation, spearheaded by a more militant MCP. The struggle took the form of organised labour unrests fronted by communist-linked labour unions. The most active of the labour unions was the General Labour Union (GLU). In the post-war years, the GLU led several labour unrests. In 1946, it pressured the British authority to release unconditionally members of the Anti-Japanese Army arrested for possession of ammunition, failing which, they would organise labour strikes on the 29th of January 1946 (Purcell 1948: 272). On 15 February 1946, the GLU organised another demonstration in Singapore, where police were assaulted in their attempt to break up the unrest. Around the same time, police killed 15 people in their attempt to avert hostile attacks by demonstration in Johor. As a result of this demonstration, 10 Chinese who defied British authority were repatriated to China for reasons of subversive activities (Purcell 1948: 274-5). Later, the MCP fight against the British took on a more subversive armed struggle as its activities were curtailed by the Emergency Act of 1948.

It was apparent that the 1930s and 1940s saw a resurgent form of Chinese organisations. If earlier Chinese organisations were more focussed on economic activities and content with playing small roles in the domestic political sphere, Chinese organisations in the 1930s and 1940s were political in focus directed towards the political struggle in China. The rise in Chinese transnationalism that mirrored China’s political fortunes could be attributed to the void of local Chinese leaders. If in the past, Chinese leadership was drawn from local Chinese entrepreneurs due to the existence of autonomous Chinese communities that acted as organised political, social and economic units. However, leadership of the Chinese community from the 1900s were more dispersed and came from outside Malaya, which was triggered by China’s political flux around the time.
There were however, attempts by prominent Straits born Chinese to fill the void left vacant by local leadership. But their English education and British background made it difficult for the Straits Chinese to mobilise support from the Chinese educated majority. In contrast, political movements like the KMT and the MCP managed to capture the imagination of Chinese-educated or China-born Chinese, especially before the Japanese occupation.

It was only in the late 1940s that leadership of the Chinese community began to swing back towards representation by wealthy local Chinese given the diminishing relevance of China transnational politics. The KMT movement in the late 1940s had been severely weakened by its loss in China in the hands of the communist and the MCP activities had been curtailed since British imposition of Emergency laws in 1948. In the late 1940s and in the 1950s, there was the merging of Chinese leadership where Straits Chinese were co-opted by wealthy Chinese businessman which eventually led to the formation of the Malayan Chinese Association (MCA) led by a Straits Chinese, Tan Cheng Lock. MCA would later be a major component party in the Alliance Front, the party that eventually led Malaya to independence.

The leadership provided by the Straits-born Chinese was amenable to the larger Chinese population in the 1940s due to several factors. First, the imposition of emergency in Malaya in 1948 by the British authority discredited the legitimacy of the MCP and pushed moderate Chinese away from the party. Second, the Emergency gave the British authority broad powers to detain and arrest without trial. This resulted in the arrest of thousands of communist sympathisers and the deportation of many Chinese, which effectively deprived the MCP of membership and leadership. Third, as a result of the Briggs’s plan that relocated rural Chinese from squatter settlements into New Villages resulted in the MCP losing substantial support from rural Chinese, who were deemed to be Communist sympathisers. The Briggs Plan soon won over the confidence of disenfranchised rural Chinese and brought them to the centre. Lastly, common experiences during the Japanese occupation helped merge the interest of Straits-born Chinese and the Chinese majority. Exclusion of the Straits born Chinese from the privileges of the colonial society helped forge a sense of common purpose with the rest of the Chinese population. This common objective plus an English background made the Straits-born Chinese natural spokesperson in articulating the concerns of the Chinese community. Given their warm relationship with British officials, the role of Straits Chinese proved instrumental in the political bargaining between the different Malayan actors during the negotiations for Malaya’s independence.

Besides the change of Chinese leadership and transition made by Chinese community from transnational politics to politics centred on the Malayan cause, the period 1930 – 1957
heralded another form of nationalism; that of Malay nationalism. Before the Japanese occupation, Malays never had political organisation of a pan-Malayan magnitude. However events triggered by the British initiative of a Malayan Union in 1945 galvanised Malays into forming political organisation. The Malayan Union was a bold attempt at creating a unitary state by amalgamating the Federated Malay States (FMS), the Unfederated States (UMS) and the Straits Settlements (with the exception of Singapore) into one Malayan Union. Some other features of the Union proposal included giving Chinese and Indians equal citizenship rights. The Malayan Union project also involved replacing existing practice of indirect rule through the Sultans with a central administration headed by a Governor based in Kuala Lumpur. The Union would be turned into a British crown colony, just like the Straits Settlements, and would have a crown colony – type of institutions in the form of a legislative and executive council. Put simply, the Malayan Union project would do away completely with the remnants of the feudal arrangement practiced by the Malay States, with Britain assuming full control of the Malay States.

A prime reason for the Malayan Union project was Britain’s need to have complete control over Malaya’s economy. The colonial office made clear that Malaya was an indispensable part of the empire as it would resuscitate Britain’s weakened post war economy - unsurprising since Malaya’s rubber and tin industry was one of the biggest contributors to the British economy. Also, a unitary state with a centralised administration would dispense with existing arrangement that was deemed administratively costly.

More importantly, the Malayan Union project was also about incorporating Malaya’s migrant communities into an equal partnership arrangement. This is particularly targeted at the Chinese population, who had emerged over time as an important economic and political actor. By then, the British authority and the broader Malayan community had come to realise that Chinese demographic strength and their participation in the economy could hardly be ignored. Further, the active involvement of Chinese in the Anti-Japanese movement, for whatever reason, provided an inevitable need for a more inclusive regime. The rise of Chinese nationalism and political and labour activism seen in the 1930s and 1940s had unsettled the British authority and made it necessary to incorporate the Chinese community in the political process. In addition, the incessant pressure for a more inclusive Malaya, raised in the twentieth century by prominent and wealthy Straits Chinese, made it impossible for Britain to ignore the rights of a more settled migrant community. Put simply, the historical process dictates that after more than 100 years of economic and political involvement, the
migrant community factor in the political and economic calculations of future Malaya could hardly be put aside.

However, the radical nature of the Malayan Union proposal and the hasty manner in which it was put together and presented to the Malay Sultans - where the rulers were not allowed to consult nor given actual details on the full workings of the proposal - created an unprecedented wave of discontent among the Malays. In March 1946, a party called the United Malays National Organisation (UMNO) was formed with the primary aim of urging the British government to reverse the Malayan Union initiative. UMNO pressured the Malay rulers into rethinking the Malayan Union project, which the rulers subsequently did by making petition to the King of England. UMNO also managed to lobby external support by asking ex-British Malayan officials to petition against the Union. The high point was UMNO’s ability to galvanise Malay grassroots support and pressured Malay rulers to boycott the ceremony to mark the installation of the High Commissioner of the Malayan Union. The incessant pressure imposed by UMNO and its supporter against the Union proposal resulted in the project being replaced by a form of Malayan Federation.

Of more relevance to this paper’s argument is the fact that the train of events triggered by the Malayan Union proposal unleashed a string of political organisations. These organisations were centred for the first time, towards a Malayan cause. More importantly, the political demands made by these political parties in the late 1940s reflect the shaping up of Malaya’s consociational arrangement as these parties came to realise the complexity of the Malayan polity. The Malayan Union for instance, triggered the MCP to increasingly work towards a Malayan solution. It realised that to be a viable Malayan political outfit it must distance itself from being seen as a Chinese party and that it must court Malay support. It attempted to do so by tying up with the Malay Nationalist Party (MNP) to rev-up Malay support. The partnership however was short-lived. The Malayan Union also triggered the setting up of the All Malayan Council for Joint Action (AMCJA) which was made up of Chinese-dominated leftist political organisations, the prominent one being the Malayan Democratic Union (MDU). Like the MCP, the AMCJA realised that a Malayan solution must incorporate Malay support. In the months after its formation, the AMCJA partnered with an agglomeration of Malay leftist civic groups, collectively called Pusat Tenaga Rakyat or PUTERA. The extreme positions taken by both parties, however, made the partnership untenable. The consociational arrangement gained more momentum with the formation of the Communities Liaison Committee (CLC). The CLC was initially made up of Malay elites from UMNO. Later UMNO leaders called upon the MCA to be part of the CLC. This centrist
political arrangement gained British endorsement and would later spark off the formation of the Alliance Party, the party that would eventually lead Malaya to independence in 1957.

CONCLUSION

It is apparent that less than 100 years after British official rule in 1874, the timing and sequence of events and the inexorable path dependent nature of events had transformed completely the Malayan polity at the time of its independence. The nature of Malaya’s political and economic development trajectory since British rule made it inevitable that a lasting and durable Malayan solution must be one that is based on a power sharing arrangement or to borrow Lijphart’s term, one that is consociational in nature, which involves consensus at the elite level with broad mass support from the larger Malayan community. Malaysia’s political and economic experience serves to reiterate the point that an assessment of the state’s institutions and its state-building effort would not be complete without paying attention to analysing its historical process and placing emphasis on issues of timing, sequence and path dependency. Indeed when it comes to appraising institutional genesis, small, incremental perhaps trivial choices, when laid sequentially on a historical timeline do produce a large outcome.

NOTES

1 Consociationalism refers to the presence of multiple ethnic groups of equal proportion of political power that that are prepared to come together in a political arrangement despite retaining their ethnic identities through agreements reached between leaders of these groups who have support of their ethnic communities. Lijphart (1996) however qualifies that “because of the limitation of the freedom of expression and the increasing political discrimination in favour of the Malays, it is doubtful that Malaysia after 1971 can be regarded as either fully democratic or fully consociational.

2 There is a large body of literature on Malaya which cover different aspects of Malaya’s history. Some of essentials ones include Windstedt (1923, 1943); Swettenham (1955); Gullick (1960); Parkinson (1960); Cowan (1961); Kennedy (1962); Emerson (1964); Sadka (1968); Thio (1969); Khoo (1972); Caldwell (1977); Andaya and Andaya Leonard (2001).

3 Implemented in the 1970s, the NEP was meant to “reduce and eventually eliminate the identification of race with economic function” and to” ensure that no particular group will experience any loss or feel any sense of deprivation”. Though the policy spells out that no Malaysians will be disadvantaged its explicit target that Malays should have 30 percent of the country’s wealth by 1990, inherently suggests positive discrimination. By 1990 that target was not achieved. Even when Malay ownership of share capital increased remarkably from 2.4 percent to 20.6 percent between 1970 and 1995, Chinese equity capital rose from 27.2 percent to 40.9 percent during the same period (Lee 2000). In fact when one looks at individual equity ownership, the figure is even smaller, about 8.2 percent (Haque 2003).

4 Horowitz (1985) made several suggestions for mitigating ethnic tension and cite Malaysia’s federal system as one instrument to diffuse inter-ethnic tension. In a separate article Horowitz (1993) states that political bargaining that is entered before every election between the various ethnic parties in Malaysia’s grand coalition mitigates ethnic conflict.
This is because the East India Company, based in Calcutta did not view the affairs of the Straits of great import which gave governors of the Straits Settlement plenty of discretion in deciding how best to engage the Malay states (Tarling 1969).

For more detail on Chinese merchants and secret society please refer to Trocki (1990) and Song (1902).

Perak laws prior to British rule did not allow non Malays to own assets or assume official duties. See Windstedt (1943: 97-11) and Windstedt (1923: 69).

CO 273/245 Swettenham to CO, 13 March 1898

For a detailed account please refer to Sidhu (1980: 8-10).

For instance, in the British initiative towards decentralization of the Federated Malay States that would allow states to have more fiscal autonomy, Chinese business interest lobbied hard against the idea, arguing that they would not want to go back to Malay administration. In arguing the case against decentralisation Tan Cheng Lock remarked that “one naturally fears that the decentralization scheme will tend to develop, produce and perfect in the Malay States, a purely autocratic form of government based on the taxation, whose energy, labour, capital and enterprise are the mainstay of those states” (Chee 1991).

In Al-Ikwan 16, February 1931.

Governor Clementi made this statement in the Legislative Council Proceedings P. B24 cited in Tregonning (1962: 220). The British government however had to reversed its decision given diplomatic pressure by the KMY government in 1930 not to outlaw KMT membership.

In 1895, Pahang expenditure was two and half time that of its revenue, and the mining proceeds, that was touted to form the bulk of Pahang’s revenue, was less than 5 percent of the combined revenue of mining proceeds from the other three states (Andaya and Andaya 2001: 185).

As Roff (1967:13) explains, the FMS was part of the far reaching reform carried out by the British administration in the first quarter of its administration which cumulatively left Malay life behind like a prahu in the wake of an Ocean Liner, rocking slightly but otherwise left to pursue its own way.

Carnarvon to Jervois 1 June 1876, no.70 CO 273/85.

Minutes of the sessions of the Conference of Chiefs of the FMS held at the Conference Hall, Kuala Lumpur, on 21 to 23 July 1903, Supplement to the Selangor Government Gazette, October 1903 Sidhu 1980: 119).

High Commissioner to Resident General , 16 December 1905, in High Commissioner to CO, Confidential Desp., 10 February 1906, CO 273/1906.


On November 1930, China and Britain agreed that the British Malayan government amend its legislation and made clear that the Kuomintang of China was not an outlawed party and that the British authority had no objection to Chinese in Malaya being a member of the Kuomintang of China. The growing influence of the KMT on the Chinese community and an overt form of nationalism displayed by the Chinese resulted in British authority outlawing the KMT operations in Malaya for reasons of subversion. This policy was reversed given the displeasure by the Chinese government on Britain’s move to suppress KMT operations in Malaya. On November 1930, an agreement was reached for the British Malayan government to amend its legislation and make clear that the Kuomintang of China was not an outlawed party and that the British authority had no objection to Chinese in Malaya being a member of the Kuomintang of China (Purcell 1948: 217).

The Kuo Mingtang also set up education programs fashioned after its struggle to Chinese schools in Malaya called the Tang-hua Chiao, where the KMT sent students to China for six months course on the Tang-hua Chiao before sending them back to Malaya as teachers but this was later stopped by the Director of Education in Singapore (Poh-seng 1961:355; Tregonning 1962: 223-4).

This observation is consistent with Wang (1970:1-30). Analysis of Chinese where he classified the Chinese community into three groups; Group A which was made of China born Chinese with affiliation to China; Group B Chinese which was composed of wealthy Chinese businessman who were pragmatic enough to pick and choose their affiliation towards China and Malaya for political and economic interests; and Group C who made up of Straits-born English educated Chinese. He says that the Japanese occupation brought about a condition where Group C Chinese became identified with the aims of Group A Chinese, where none existed before. The merger of opinion made it possible for Straits born Chinese (Group C) to become spokesperson in articulating
the concerns of the Chinese community in the negotiation with British authorities in the years before Malaya’s independence. Also, Group B Chinese which comprised of businessman co-opted Group C Chinese to eventually formed the Malayan Chinese Association (MCA) and made them spokesman in articulating the concern of the Chinese community (Wang 1970: 38).

22 Wang (1970) for instance asserts that the fight against Japanese occupation also gave common purpose to the different Chinese group.

23 memorandum of the Malay Students’ Society in Allen, J.D.V., 1967. The Malayan Union. Monograph Series No. 10, Southeast Asia Studies, Yale University. pg. 132.
REFERENCES


Allen, J.D.V. (1967) 'The Malayan Union', Monograph Series No.10, Southeast Asia Studies, Yale University.


Buckley, C.B. (1902) An anecdotal history of old times in Singapore : From the foundation of the settlement under the honourable the East India Company on February 6th, 1819 to the transfer to the Colonial Office as part of the colonial possessions of the Crown on April 1st, Singapore: Oxford University Press.


