

Gale Primary Sources:

State Papers Online Colonial: Asia, Part III:

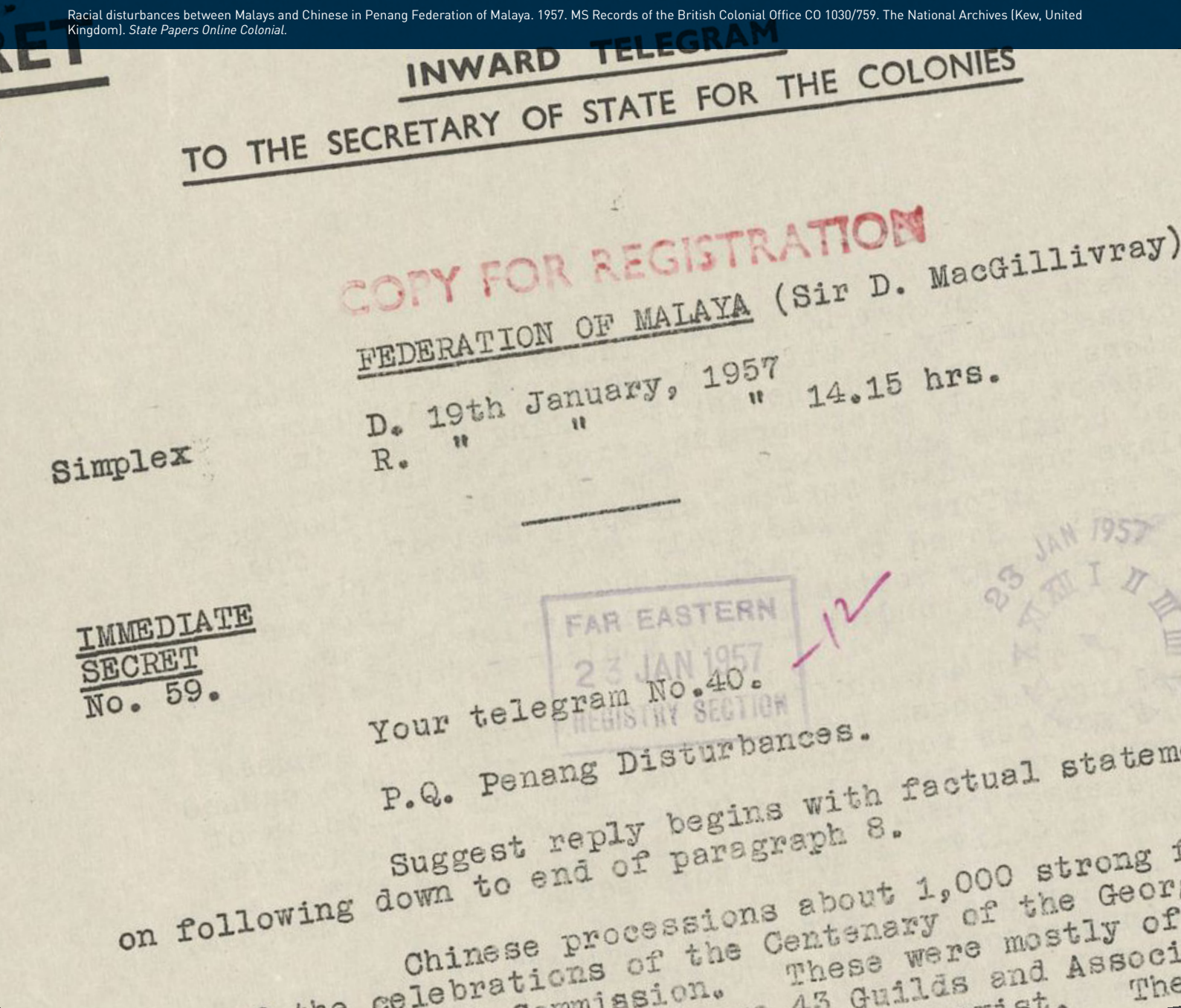
Malay States, Malaya, and Straits Settlements

Affirmative Action at Empire's End

Professor Nicholas J. White

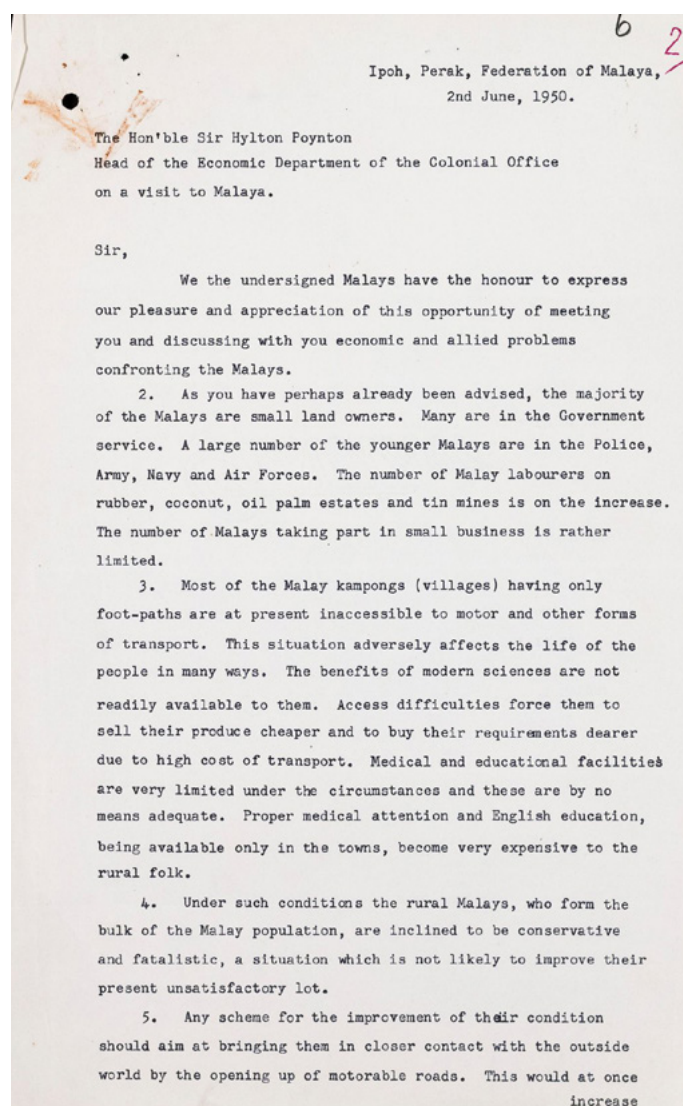
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Racial disturbances between Malays and Chinese in Penang Federation of Malaya, 1957. MS Records of the British Colonial Office CO 1030/759. The National Archives (Kew, United Kingdom). *State Papers Online Colonial*.



In August 1952, a Colonial Office (CO) mandarin in London was saddened by the financial collapse of the Malay National Banking Corporation. After all, this was when General Templer, Britain's High Commissioner and Director of Operations in the Federation of Malaya (today's West or peninsular Malaysia), was 'urging business houses to take and train young Malays for commerce' and the Rural Industrial Development Authority (RIDA) worked towards giving Malays 'a greater share in the economic life of the country'.¹ Commenting on correspondence and memoranda, the minutes at the beginning of the CO files in the Malay States, Malaya, and Straits Settlements collection are invaluable sources, therefore, on context and the attitudes of decision-makers. The knotty problem in this case was how to overturn decades of colonial practice and achieve a more even economic balance between the so-called 'indigenous' Malays and 'immigrant' Chinese and Indians (as well as 'expatriate' European, principally British, business groups that continued to dominate rubber and tin production, the commanding heights of Malaya's economy). The backdrop was Malaya's move towards independence (achieved in August 1957) amid an ongoing counter-insurgency campaign – known as the Emergency – against the Malayan Communist Party (MCP).

A damning indictment of British rule, historians judge ethnic income disparity in colonial East and Southeast Asia starkest in Malaya.² Constituting 60 per cent of the peninsula's rural population, the Malay community was most impoverished. In collaboration with indigenous monarchs and aristocrats, British 'indirect rule' in the Malay States was blamed for preserving an anachronistic social order and condemning the Malay rakyat (the ordinary people) to farming and fishing. Revealing indigenous voices in the CO archive, state councillors in Perak explained in June 1950 how most Malay kampung (villages) were accessible by footpath only, thus limiting educational and medical facilities. Furthermore, peasants were forced to sell their crops – typically, rice, rubber, and coconuts – to non-Malay



Position of Malays in industry and commerce. 1950. MS Records of the British Colonial Office CO 717/205/1. The National Archives (Kew, United Kingdom). *State Papers Online Colonial*.

intermediaries ('middlemen') cheaper and buy back consumer goods dearer because of high transport costs. Poverty was compounded by lack of capital and local processing.³ Veteran colonial administrator, Sir George Maxwell, believed it 'folly' to consider self-government for Malaya 'so long as the whole business life is in the hands of "non-Malays"'.⁴ As part of the 'hearts and minds' strategy to kill communism with kindness, Colonial Secretary Oliver Lyttelton endorsed Templer's proposal for land schemes to "'fire" the Malays' as 'one of the most constructive and important features of your whole policy'

1 CO 1022/463, minute by Bocock, 8 August 1952.

2 Anne Booth, 'The plural economy and its legacy in Asia' in Els Bogaerts and Remco Raben (eds), *Beyond Empire and Nation: The Decolonization of African and Asian societies, 1930s-1970s*, Leiden: Brill, 2012, pp. 69-107.

3 CO 717/205/1, Letter to Sir Hilton Poynton, head of the Economic Department of the CO, 2 June 1950.

4 CO 1022/463, Maxwell to Lyttelton, 22 December 1951.

which would 'revolutionise sentiment in the whole country'.⁵ Indeed, in 1953, the Manchester Guardian's correspondent in Kuala Lumpur – the Federation's capital – recognised Malay economic inferiority was 'fraught with the danger of political exploitation' by the MCP 'now concentrating more upon fostering discontent... than upon wanton terrorism'.⁶

Paradoxically, however, the CO files expose how counterinsurgency obstructed affirmative action at empire's end. Not only did the communist guerillas make it difficult to operate in remote areas (where the most disadvantaged kampung were located) but the Emergency busted government finances. In June 1952, General Templer lauded RIDA's work in redressing 'the present dangerous discrepancy between the economies of the two main communities [Malay and Chinese]' – making loans for cooperative development and marketing, rice mills, and tractor schemes and assisting the upgrade of community centres, playing grounds, bridle paths, roads, bridges, and water supplies in Malay villages.⁷ A year later, however, the Manchester Guardian's reporter pictured RIDA 'doing no more than scratch the surface'. The M\$5 million spent by the development body in two-and-a-half years to mid-1953 was equivalent to just ten days expenditure on anti-terrorist measures (wherein local administrators were already overworked and male Malay workers were recruited to the security services). Consequently, secondary education remained virtually non-existent in rural areas, and declining export tax receipts from tumbling rubber and tin prices at the end of the Korean War boom led to a crisis cut of 20 per cent in government expenditure. RIDA was financially hamstrung from its inauguration in September 1950 and, hardly surprisingly, its mantra became 'self-help'. The authority's request for an additional M\$7 million in 1953 was rejected by the Federation's Treasury, and the imperial quango, the Colonial Development Corporation, was already ruled out as a substitute milch cow.

Further impediments to affirmative action derived from squeamishness on the part of mandarins in London and officials on the spot requiring greater state intervention. Legislation favouring a particular ethnic group, with the compulsion and discrimination implied, was considered divisive and running counter to forging a 'united Malayan nation' from its multiracial populus. Moreover, in 1953, the powerful European, Chinese, and Indian chambers of commerce in Malaya ganged up to oppose compulsory employment quotas in favour of indigenes on the grounds of inefficiency and disincentive.⁸ RIDA's ambitions, moreover, were held back by a dearth of adequately trained staff where absence of training in tropical agriculture in metropolitan Britain did not help. The human-resource deficit was compounded by the institutional imperfections of the federal state whereby the governments of Malaya's eleven states and settlements jealously defended their autonomy and resented central government intrusion. 'Fiddling while Rome burns', as former Colonial Secretary Jim Griffiths sardonically characterised it in a House of Commons debate in July 1952. The frustration of RIDA's Malay boss Dato' Onn Jaafar was palpable three months earlier in a memorandum for the Federation's Executive Council:

Certain State and Settlement Governments... objected to the administrative machinery proposed... and maintained that rural development was the normal administrative function of their administration..., and therefore another line of administrative channel... was undesirable. They apparently feared that the loyalty of the rural population might thereby shift from their 'normal administration organisation' to the new RIDA organisation run by Kuala Lumpur, and overlooked the fact that it was precisely because their 'normal administrative organisation' had failed to promote the economic and social development of the rural areas during the last three-quarters of a century...⁹

5 CO 1022/463, Extracts from Top Secret and Personal Letter from Templer and reply, 12 and 26 September 1952.

6 CO 1022/463, Extract from Manchester Guardian, 17 July 1953.

7 CO 1022/253, Extract from Press Statement, 19 June 1952.

8 Nicholas J. White, *Business, Government, and the End of Empire: Malaya, 1942-57*, Kuala Lumpur: Oxford University Press, 1996, pp.152-3; these are standard neo-liberal critiques of positive discrimination, see Thomas Sowell, *Affirmative Action Around the World: An Empirical Study*, New Haven: Yale University Press, 2004.

9 CO 1022/253, Memorandum from the Member for Home Affairs, March 1952, p.1.

INTRODUCTION.

1. The Rural and Industrial Development Authority was set up in August, 1950, on an interim basis without any specific or clear directive or organisation, the intention being that with the appointment of a Chairman as a nucleus an organisation would be set up and built for the purpose of organising and stimulating the development of the rural areas (which are populated mainly by Malays and in which the bulk of the Malay population lives) and in that way the Malays economic level could be brought up to that of the other communities quicker than it otherwise would be. It was hoped thereby that the mistrust of the Malays towards non-Malays could be overcome and the task of building a united Nation would be made to that extent the easier.

2. During the first six months of the appointment of the Chairman (Dato Onn bin Ja'afar), the Authority itself (the RIDA Board) was organised, the beginning of an Organisation (office and staff) built, and the Authority met for the first time on the 4th September, 1950. At this meeting it was agreed "that the final constitution and terms of reference of the Authority would be settled later in the light of experience" and "that the Authority was not concerned exclusively with questions of Malay rural development" but rural and industrial development as a whole.

3. Early in 1951 the Chairman visited Ceylon to study the methods used in that country in dealing with similar problems and following that visit Federal Council Paper No. 10/1951 (dated 21st March, 1951), and entitled "Scheme for the re-organisation of the Rural and Industrial Development Authority" was prepared and laid before the Federal Legislative Council and circulated to State and Settlement Governments for their views and comments.

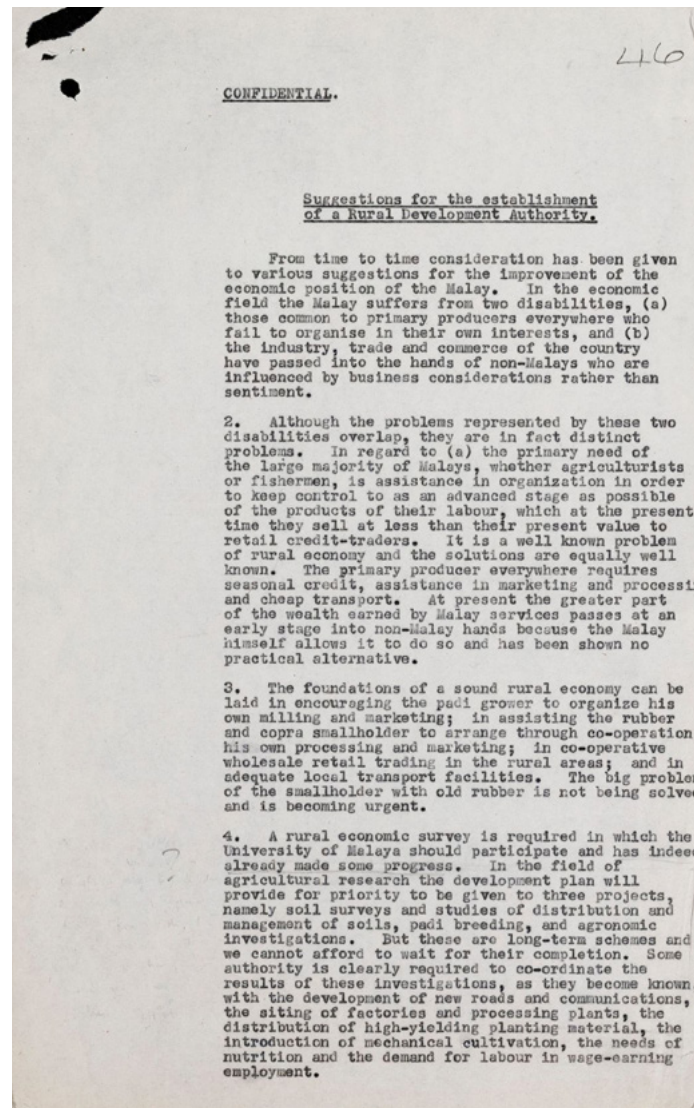
4. In this Paper the policy, organisation and objectives of RIDA were set out in detail for the first time and these were generally acceptable subject to a measure of "elasticity" in their application to conditions of a particular territory. Certain State and Settlement Governments (Kedah, Penang and Malacca) however, objected to the administrative machinery proposed in that Paper and maintained that rural development was the normal administrative function of their administration (through District Officers, Penghulus and Ketuas), and therefore another line of administrative channel (State Development Officers on State levels and Assistant Rural Development Officers on District levels) was undesirable.

Aims and progress of the Rural Industrial Development Corporation in Malaya. 1951. MS Records of the British Colonial Office CO 1022/253. The National Archives (Kew, United Kingdom). *State Papers Online Colonial*.

There are also hints in the CO records of spanners in the works deriving from the competing nationalisms unleashed by competitive party politics as colonial rule unravelled. A founding father of the United Malays National Organisation (UMNO), Dato' Onn combined economic and political decolonisation when appointed proto-ministerial Member for Home Affairs and RIDA's chair during 1950. In 1951, however, he resigned as UMNO president and formed a new multi-racial Independence of Malaya Party (IMP) (later morphing into Party Negara). Head of the official Special Committee on the economic position of the Malays established at the end of 1952, Perak's Chief Minister (Menteri Besar), Dato' Panglima Bukit Gantang, was another IMP leader as was Kelantan's

Menteri Besar Dato' Nik Kamil who keenly supported his state's rural development push. Unhappy with Onn and his ilk's collaboration with the colonial regime and their advocacy of more liberal citizenship qualifications for ethnic-Chinese, the rump UMNO and its ethnonationalist newspaper outlets were increasingly critical of RIDA's alleged sloth and sluggishness. Presaged was the political patronage which bedevilled even-handed development in post-colonial Malaysia.¹⁰

Irrespective of local impediments, however, the colonial mindset remained locked in 'lazy



Rural Development Authority. 1950. MS Records of the British Colonial Office CO 717/208/7. The National Archives (Kew, United Kingdom). *State Papers Online Colonial*.

¹⁰ See, for example, Edmund Terence Gomez, *Political Business: UMNO's Corporate Investments*, Kuala Lumpur: Forum, 1990; Edmund Terence Gomez and Jomo K. S., *Malaysia's Political Economy: Politics, Patronage and Profits*, Cambridge: Cambridge University Press, 1997.

native' and 'racial difference' discourses.¹¹ Compartmentalisation prevailed in RIDA's establishment when High Commissioner Gurney insisted the new development body be confined to the rural economy to avoid 'racial competition', and the economic future of the 'vast majority' of Malays lay 'in primary producing industry in the rural areas and not in the towns'.¹² There were doubts, meantime, Malay firms could ever command sufficient resources or skills to tackle capital-intensive activities like tin-mining. Generally, Malays were believed to lack the inclination and the 'nous' necessary to compete on a level playing-field with the supposedly more enterprising Chinese and, even more stereotypically, Malays were said to suffer poor collective mental health which induced an 'inferiority complex'. And, while Chinese parents allegedly placed the material progress of their offspring foremost, Malays were believed to have no compulsion about exploiting their children's labour from an early age in the interests of the family first. Elite Malays shared the fatalism: Dato' Onn cynically told a CO official 'the Malays could never compete effectively with the Chinese because they did not understand bribery'.¹³ There was no doubt, however, about religious constraints on economic efficiency. Islamic inheritance laws, for example, resulted in excessive fragmentation of landholdings into smaller-and-smaller, less-productive plots. Productivity in Malay-owned fish ponds, meantime, was lower than Chinese equivalents because the former were unable to employ the pig dung that was the chief source of fertility in the latter.¹⁴ The Eastern Mining and Metals Company – apparently the highest employer of Malay labour outside of government through utilising 3,000 Malays in iron-ore extraction – encountered a 'self-defeating process' because those reaching executive responsibility invariably departed for cushier senior posts in government service.¹⁵

Nevertheless, considerable Malay frustration was building up, revealed in the newspaper extracts and summaries (including from the vernacular press) in the CO files. In the Malay-language press there was frequent critique in the early-1950s of the skewing of economic development in favour of urban areas, domination by large-scale – often British-owned – enterprise, and the failure of the colonial administration to provide Malays with commercial and technical education. Remedial measures recommended included reserving half of Malaya's import and export trade to Malays, and the establishment of a Malay super-company to serve as a locus for indigenous uplift. Even in Chinese-owned newspapers there were hints that far-reaching structural change – including nationalisation of the rubber industry – was required to right the economic wrongs. Malay-language *Utusan Melayu* was especially livid to learn in May 1953 that big business opposed proposals for compulsory Malay employment: if there was opposition 'because of the belief that Malay children are but to become "drivers" only', this was akin to 'accusing the Malays of being lazy and that is why they are backward'.¹⁶

Disturbances in Penang during January 1957 were attributed to struggles between Malay and Chinese gangsters. But High Commissioner MacGillivray noted a wider 'undercurrent of disharmony' in the Settlement, arising 'from Malay impatience for independence' and Chinese fears that 'a new constitution may deprive them of certain privileges'.¹⁷ Anticipated were the much more serious Kuala Lumpur riots of May 1969 in Malaysia deemed to have derived from ongoing Malay frustration with their lowly economic position – notwithstanding twelve years of political independence. The resulting New Economic Policy looked forward to 30 per cent Malay (or Bumiputera) ownership of Malaysia's corporate sector by 1990, 40 per cent ownership by other Malaysians, and 30 per cent by foreigners. Not

11 Syed Alatas, *The myth of the lazy native: a study of the image of the Malays, Filipinos and Javanese from the 16th to the 20th century and its function in the ideology of colonial capitalism*, London: Cass, 1977.

12 CO 717/208/7, Letter to Malcolm MacDonald, 7 March 1950 and enclosed memorandum for the Executive Council.

13 CO 1022/463, Minute by Jerrom, 22 January 1953.

14 CO 1022/253, Minute by Hickling, undated [c. October 1952].

15 CO 1022/463, Extract from minute by Monson, 30 October 1952.

16 CO 1022/463, Extract from Federation of Malaya Press Digest 9/53.

17 CO 1030/759, Telegram to the Secretary of State for the Colonies, 19 January 1957.

wishing to take from overseas-Chinese or -Indians for fear of economic decay and further political destabilisation, the principal target for requisition and redistribution by Malay-dominated parastatals became British plantation and mining companies. The UK slumped from first to third most important foreign investor in Malaysia between 1974 and 1986 alone.¹⁸ The fears of colonial officials in the early-1950s were manifest and their efforts at affirmative action proved too little if not too late.

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SECRET

INWARD TELEGRAM
TO THE SECRETARY OF STATE FOR THE COLONIES

COPY FOR REGISTRATION
FEDERATION OF MALAYA (Sir D. MacGillivray)

Simplex D. 19th January, 1957
R. " " " 14.15 hrs.

IMMEDIATE
SECRET
No. 59.

FAR EASTERN
23 JAN 1957
12

Your telegram No. 40.

P.Q. Penang Disturbances.

Suggest reply begins with factual statement based on following down to end of paragraph 8.

Chinese processions about 1,000 strong formed part of the celebrations of the Centenary of the George Town (Penang) Municipal Commission. These were mostly of gangsters and illiterates sponsored by some 43 Guilds and Associations amongst whom great rivalry traditionally exist. They travelled a long route taking a considerable time.

2. The procession on 1st January passed without incident.

3. During the concluding stages of the procession on the 2nd January, a slight quarrel broke out between two Chinese factions causing unfounded rumours to spread that Malays were attacking other portions of the procession. These caused Chinese in the procession to arm themselves with such weapons as were available and throw bottles at shop windows. This resulted in 3 assaults upon Malay bystanders. As a result of the confusion caused, the procession was dispersed and dispersed in an orderly fashion by the Police. Whilst passing the Dato Kramat Gardens, however, some 80 to 30 Chinese chased a few Malays into a house in Johore Road. A Chinese Special Branch Inspector on duty in civilian clothes, and a P.C. in uniform rushed to their assistance and ordered the Chinese to disperse, but being highly excited, they refused to listen. The Inspector was hit on the back with a stick and a glancing blow on the head from an axe. He drew his pistol and fired wounding the Chinese with the axe and another assailant. The Chinese man subsequently died. This incident caused a small crowd to gather which did not finally disperse until the arrival of additional Police, when setting without orders, a P.C. fired two shots in the air from his rifle which finally caused the crowd to disperse.

4. This initial incident sparked off a series of assaults later the same day, and on the five following days by small groups of Malay or Chinese gangsters attacking isolated persons of the opposite race. During the course of the 3rd January, there were 17 such incidents whilst on the 4th

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Racial disturbances between Malays and Chinese in Penang Federation of Malaya. 1957. MS Records of the British Colonial Office CO 1030/759. The National Archives (Kew, United Kingdom). *State Papers Online Colonial*.

18 Nicholas J. White, 'From Imperial Icons to Malaysian Flagships: The Fall of British Business in Malaysia' in Sultan Nazrin Shah (ed.), *Chronicling Themes in the Economic and Social History of Malaysia*, Singapore: World Scientific, 2026, pp.105-114.