

University of Warwick institutional repository: <http://go.warwick.ac.uk/wrap>

A Thesis Submitted for the Degree of PhD at the University of Warwick

<http://go.warwick.ac.uk/wrap/1295>

This thesis is made available online and is protected by original copyright.

Please scroll down to view the document itself.

Please refer to the repository record for this item for information to help you to cite it. Our policy information is available from the repository home page.

**A natural harmony? Government, Business and
British Interests in Southeast Asia, 1945-1951**

**Thesis submitted for the degree of
Doctor of Philosophy
at the University of Warwick**

By

Young-joo, Jung

March 2002

ABSTRACT

This thesis seeks to illuminate the nature of the British national interest in Southeast Asia (SEA), as defined and pursued by the Attlee government, 1945-1951. The analysis is undertaken by examining the relationship between government and business in the region, identifying areas of consensus and conflict. It is established that the British government intended to do its utmost to aid British firms in SEA to re-establish their businesses after the disruption to production and trade caused by the war, as a means of protecting its own subjects and assets, and also of furthering British political and commercial interests in the region. However, this was at a time when the need to divert resources to reconstruct and support the domestic British economy made the task of assisting business overseas problematic, to the extent that government's ability to provide material support was limited. Whilst such logistical difficulties were real, it can also be said that differences over the level of assistance to business were heightened by ideological division between businessmen, on the one hand, and government officials, on the other.

These themes are explored through an analysis of the interactions of British enterprises which had business interests in Siam (Thailand), Indonesia and Malaya, with the British government and the local British authorities in these countries. This examination takes place against the background of a readjustment in Britain's relations with these countries in the aftermath of the war. Given the urgency of reconstruction at home, the Attlee government was lessening Britain's overseas commitments. In SEA the British government firmly believed economic and social betterment to be pivotal to the task of quickly establishing stability and also, later on, in protecting the region from Communist expansionism. Therefore US cooperation was sought as a source of necessary resources, but at the same time the British were bound to protect British-based business interests against US competition, not least because of their valuable impact on the value of Sterling. The Attlee administrations' endeavour to obtain US cooperation however often proved to be ineffective because of the US government's reluctance to be involved in this particular part of Asia.

In practice, government assistance to and protection of business were not always possible in the aftermath of the war and firms needed to transform themselves to adapt to new times. Despite this, the two worked closely together and the British government often showed a great willingness to provide moral and practical support for British enterprises. In retrospect, this cooperation only worked where the demands of business did not conflict with the interests and policy of government, and under such circumstances, business was seldom satisfied. Those firms that did survive achieved this primarily by implementing their own strategies and some accomplished a great deal throughout the 1950s and beyond.

A natural harmony? Government, Business and British Interests in Southeast Asia, 1945-1951.

CONTENTS

Abstract

Abbreviation

Acknowledgements

Introduction

Chapter 1.	The British Government's Assessment of the Value and Significance of Southeast Asia for the National Interest
1.1.	British Interests in Southeast Asia in relation to Britain's National Interest
1.1.1.	Strategic Significance
1.1.2.	Economic and Financial Importance
1.1.3.	Political Importance
1.2.	British Policy in Southeast Asia 1945-47: the Objectives and Aims
1.3.	Forms of Cooperation with Other Powers
1.3.1.	Resumption of the Colonial Powers and the South East Asia Command
1.3.2.	Cooperation with the United States of America
1.3.3.	Expectations towards the Asian Countries and the Commonwealth
1.3.4.	Cooperation between the United Kingdom, the United States of America and the Soviet Union

Chapter 2.	Regional Policy-Making and Business/Government Relations
2.1.	The process of Regional Policy-Making
2.1.1.	The Metropole: the Colonial Office and the Foreign Office
2.1.2.	The Process of Regional Policy-Making in the Periphery
2.1.2.1.	The British Territories: the Malayan Government
2.2.	Britain and Regional Cooperation in Southeast Asia
2.2.1.	The Colonial Office and Regional Cooperation
2.2.2.	Regional Cooperation in the Post-War Period: the Foreign Office, the South East Asia Command, the Special Commissioner, the Commissioner-General and the Colombo Conference
2.3.	The Culture and Process of Government/Business Relations

Chapter 3.	The Work of Rehabilitation in Malaya
3.1.	Japanese Occupation and Its Effects on Malaya
3.2.	The Work of Relief and Rehabilitation in Malaya
3.2.1.	The Rehabilitation Work of the British Military Administration for Malaya
3.2.2.	Social Policy and a New Social Partner
3.2.3.	The Malayan Union and Rehabilitation Work
3.2.4.	Rice Supplies and Goods on a Regional Basis and the Role of the Special Commissioner
3.2.5.	Rehabilitation Work and the Resurgence of the Trade Union Movement
Chapter 4.	Interactions between State and Firm in the Early Years of the Post-War Period
4.1.	Dependencies First Policy
4.2.	Interactions between State and Firm with Regard to Early Resumption of British Business Interests in Southeast Asia
4.3.	Rehabilitation of British Business Interests in Malaya
4.3.1.	Wartime Planning for the Malayan Extractive Industries
4.3.1.1.	State's Wartime Planning in Malaya: Reconstruction, Rationalisation and Efficiencies
4.3.1.2.	Firms' Own Post-War Planning
4.3.2.	Rehabilitation Period
4.3.2.1.	Inspection of War Damage on the Malayan Extractive Industries
4.3.2.2.	Assistance by the British Military Administration for Malaya for the Rehabilitation Work
4.3.2.3.	Rehabilitation of Malayan Extractive Industries and Malayan Dollar Earning
4.3.2.4.	An Examination of Issues Related to Rehabilitation: Lack of Finance, High Taxation and Provision of Supplies
Chapter 5.	State and Firm: The Malayan Case
5.1.	Dollar Deficit in the United Kingdom and Colonial Resources Development
5.2.	Interactions between State and Firm during the Emergency

Chapter 6. Interactions Between State and Firm During the Attlee Government: A Comparative Studies on the Cases of British Business Interests in Indonesia and Siam

- 6.1. The Historical Relations of Indonesia and Siam with Foreign Business Interests
- 6.2. The Japanese Occupation in Siam and Indonesia
- 6.3. The Case Study in Indonesia
- 6.4. The Case Study in Siam

Chapter 7. Diversification and Flexibility: The Survival of British Firms in Southeast Asia

Conclusion

Bibliography

Abbreviations

BMA	British Military Administration
CCAO	Chief Civil Affairs Officer
CDC	Colonial Development Corporation
CDWA	Colonial Development and Welfare Act
CO	Colonial Office
ECAFE	Economic Commission for Asia and the Far East
FO	Foreign Office
GLUs	General Labour Unions
IEFC	International Emergency Food Council
KMT	Kuomintang
LTC	London Tin Corporation
MCA	Malayan Chinese Association
MCP	Malayan Communist Party
MCS	Malayan Civil Service
MNP	Malay Nationalist Party
MP	Member of Parliament
MPAJA	Malayan People's Anti-Japanese Army
MPU	Malayan Planning Unit
MREOC	Malayan Rubber Estate Owners Company
NEI	Netherlands East Indies
PMFTUs	Pan-Malayan Federation of Trade Unions
PMGLU	Pan-Malayan General Labour Union
POWs	Prisoners of War
RCC	Rubber Consultative Committee
RGA	Rubber Growers' Association
SACSEA	Supreme Allied Commander South East Asia
SCAP	Supreme Commander for the Allied Powers
SEA	Southeast Asia
SEAC	South East Asia Command
TUC	Trades Union Congress

UK	United Kingdom
UMNO	United Malay National Organisation
UNO	United Nations Organisation
USA	United States of America
WO	War Office

Acknowledgements

The idea of doing a PhD in government/business relations during the Attlee government started in Dr. Leonard Schwarz's office at the university of Birmingham. As my tutor during the Master's year at Birmingham he helped me find a supervisor for the research and contacted Professor Calum MacDonald at Warwick. The Interview was held on the next day and the long journey of getting the doctorate done started immediately after that.

Influenced by Calum's expertise in the British foreign policy during the Korean War, the first reading list was mainly the biographies of the politicians of the period, and the Anglo-American relationship. Unfortunately after three months, Calum was diagnosed as having cancer, and as a result, I was left alone to carry on the work. It was very hard then as I had just started the degree, and the research plan had not yet taken a shape. After a long gap, Dr. Charles Jones in the Department of Politics and International Studies was chosen and agreed to be my supervisor. I was even transferred to that department for administrative purposes. The next two years were a big struggle for me, not because of the heavy work, but of the lack of sense of belonging. Again Charles' expertise in business history heavily influenced the direction of my research. I began to read books and articles about FDI and portfolio investment. The process of combining the readings on these two quite different fields defined my research, which was narrowed down to the analysis of the conflicting yet consensual relationship between the British government and civil servants, and British investment in Southeast Asia.

Now the struggle of self-doubt is over. There are many people to whom I am deeply indebted. My foremost thanks go to the supervisors: without Calum's offer of a year's grant, I would have not been able to carry on the research; Charles kindly carried on supervising my work long after his move to Cambridge. He travelled abroad with my drafts while he was attending academic conferences. I owe him dearly for his patience and warmth that lasted throughout my research period. Dr. James Hinton took up the job at the very last minute and read the two very last drafts. His comments helped sharpen up my analysis, and I am very grateful for that.

My next thanks go to the proof-readers. David Ayrton read my chapters numerous times. Dr. Andrew Roadnight read the first five chapters. Both did the painstaking job of defining the often long and ambiguous sentences. Dr. Michael Doble and Neil Carter also spent their precious time to read the chapters. My friends, Gines Torres-Soto for his support as much as his disturbances, Dr. Leonard Schwarz for his trust in me, Jasmin Awad for her continuous support, Dewi Bingei for our long-lasting mutual confusion over men, Dr. Bernd Lemke for our lonely and hungry winter in Public Record Office, need to be mentioned.

My special thanks go to my family. There is no way I can describe their love and care for me. I thank My parents, Jung Hanjin, Song Yongduk, my three sisters, Jung Youngsil, Jung Younga, Jung Nari, and three brothers-in-law, Bang Gunsik, Kim Hyungduk, Lee Tejin, four nieces, Serin, Mira, Suyeon, Hena, and one nephew, Hyu.

Although my work would not have been complete without the valuable comments and suggestions from the supervisors and proof-readers, finally the work is my own. I alone take the responsibilities for any mistakes including misinterpretations made in this thesis.

Introduction

The purpose of this thesis is to examine the extent to which the national interest of Britain, as pursued by the Attlee government, coincided with the interests of British businesses in SEA. The general understanding of 'a natural harmony of interests'¹ between government and business is questioned through an examination of the interactions between them and the way in which one tried to influence the other. I will argue that there was an objective basis for the mutuality of interest based upon the importance of British firms overseas to Britain's domestic economy. This was especially the case with regard to British companies in the Malayan extractive industries, who were the main dollar earners and whose profits were remitted back to Britain. It was also the case that continued strong presence of British investments in the region was greatly valued by the government, as a representation of British political power and influence.

The re-establishment of the productive capacity of British firms in SEA takes place against the background of a readjustment in Britain's relations with these countries in the aftermath of the war, in the face of a heightened background of tension in the region. As Indian independence loomed ever larger, SEA was becoming central to safeguarding British interests in Asia as a whole. The importance of SEA was further highlighted, in the context of the deepening Cold War, by Communist advance in the continent.

Due to the lack of resources in Britain to sufficiently support and reconstruct British business interests in SEA, there were differences over the level of assistance to

¹ This expression was used by Gilpin to describe the relationship between British as well as American political and business leadership, in R. Gilpin, *US Power and the Multinational Corporation; the Political Economy of Foreign Direct Investment* (London, Basingstoke, 1975), p. 143. He also emphasises the mutual help provided by each for the other, for instance the emergence of US power was the necessary condition for the expansion of US multinationals at the same time contributing to the international position of the USA: pp. 5-6, 137, 143.

business and these were heightened by ideological division between businessmen, on the one hand, and government officials, on the other.

These themes are explored through an analysis of the interactions of British enterprises which had business interests in Siam, Indonesia and Malaya, with the British government, and their representatives and the local British authorities in these countries. The analysis is undertaken by examining the relationship between government and business, identifying areas of consensus and conflict. The British government desired to re-establish its pre-war British business interests in the region, which had been severely damaged during the war, as a means of protecting its own subjects and assets, and also of furthering British political and commercial interests.

All of the themes of this thesis and the policy pre-occupations of the British government can be illustrated by an examination of the Malayan case. Malaya was a key earner of US dollars, and the Attlee government sought to maintain a strong role for Britain in Malaya. The British government re-drafted the new constitution in order to ensure the continuation of such a role, and in the process hoped to play a role in safeguarding British political and economic interests. The means by which the constitution would be expected to assist in such objective would be through the preparation of the conditions for a peaceful and agreeable transfer of political power in the form of future self-government. The speed of such a transition would later form the basis for dissatisfaction and concern on the part of British business interests. Despite the objective basis for mutual interest, it was nevertheless the case that at certain historical moments in the post-war period this relationship became conflictual and antagonistic. None more so is this shown than in the debates and arguments around the need for security for British businesses during the Malayan Emergency.

The rise of new situations in the aftermath of the war brought into the open conflicts that had previously lain dormant between the interest of British business and of the British political elite. My analysis will show that it became clear that the maintenance of the existing social relations in the peripheral areas of British businesses' operation was no longer compatible with the political objectives now predominant inside the metropolis, where decision making was made 'in reaction to events in SEA and events outside that had an impact on it'.² In these circumstances businesses' conservative concept of pursuing interests under the protection of the metropolitan and colonial governments did not keep up with the changes that were taking place in the ideas of those wielding political authority.

The liberal attitude that prevailed among the officials in Malaya was often criticised by business as a hindrance to their business activities. Without understanding the nature of the liberalism among the officials, the actions and decisions taken in Malaya during the Attlee period cannot be fully explained. In short business' concern with 'profitability' was overlooked in favour of the general theme of British progressive colonialism. Some in the metropolitan government came to believe that the progressivism in their colonialism was, however, retarded by the old-fashioned liberalism among the officials in the Malayan administration. When the Secretary of State for War, John Strachey, visited Malaya in June 1950, he was shocked by the 'very old-fashioned "laissez faire" sort' of liberalism widespread among the British officials in the periphery (including Singapore) which, he believed, prevented them from taking positive and more vigorous steps towards the political, democratic, and economic development of Malaya, and the firm measures necessary to break the Communist insurgency, a strategy that had been already elaborated at the metropolitan level. He

² N. Tarling, *Britain, Southeast Asia and the Onset of the Cold War, 1945-1950* (Cambridge, 1998), p. 266.

found that the local officials — especially the middle rank officials and administrators — paid only lip service to the aims of the metropole's strategy, which its essence was the promotion of the development of prosperity in Malaya, shared in by the mass of the population, fostering cooperation from Malays and the Chinese, and to grant independence within the Commonwealth.

While one has to be cautious about accepting the validity of Strachey's stance, it is worth, at this point, to reflect upon the nature of the 'liberalism' that Strachey himself adhered to and therefore can be seen as an indicator of the ideological basis which enabled the liberal minded Fabian socialists, who led the British government at that time, to play a central role in seeking to maintain Britain's status as a world power. Strachey identifies classical laissez faire liberalism as the ideology underpinning unwillingness of the Malayan colonial government to oversee state intervention both in the socio-economic arena and in the arena of political conflict. If Strachey's stance is to be taken as being exemplary of the stance taken by the authority in the metropolis then we can see that advocacy of the need for state intervention was not restricted to state intervention into the economy. It also extended to recognition of the need for coercive state intervention into political developments, in order to safeguard the liberal capitalist model of political and economic operation. This was especially the case in response to the extreme situation of Emergency during 1950.

The metropolitan government recognised that the perpetuation of an economic and political system based upon plurality, in terms of competition in the political and economic spheres, was possible only if the state was prepared to intervene decisively in *every* sphere. Such a stance was imperative if British interests were to be safeguarded in Malaya. The old style liberals in the Malayan government still clung to the outdated liberalism, the protagonists of which believed that if the private sector were allowed to

get on unimpeded then entrepreneurial dynamism would ensure that the necessary levels of wealth were created and political crises would sort themselves out. Meanwhile the British entrepreneurs grew increasingly frustrated. They remained liberal in their economic views, but were quite illiberal in their political views. As such we might identify a three-way division: the governmental authorities in London accepted the need for bold state intervention into *both* the economy and politics in Malaya; the governmental authorities in Kuala Lumpur felt that large-scale state intervention into both economic and political matters ill-advised; meanwhile British businessmen accepted the need, and indeed strongly advocated, strong, coercive state intervention into political matters, while simultaneously seeking to safeguard the maintenance of their own autonomy, in terms of their combative defence of managerial prerogatives, in the economic field.³ As we will see in Chapters 3 to 5, these divisions would impede coherent and decisive actions in dealing with post-war crises in Malaya.

The colonial relationship of Malaya with Britain provides a certain fixed preconception to the relationship between the British political authorities and British firms in Malaya (that of the presence of direct political intervention from Westminster, resulting in a relatively privileged position for firms in that location). In order to gain insight into the nature of government/business relations in the region more generally, it is necessary to look at their interactions in other countries which shared similar historical experiences such as the war, Japanese occupation and their relations with European powers, but at the same time which did not have the colonial ties with Britain. Siam and Indonesia are chosen as comparative examples. The rise of the nationalist

³ PRO CAB 21 1681, MAL C(50)21 memorandum by John Strachey for Cabinet Malaya Committee, 17 June 1950; CAB 128 17 CM 37(50)1 Cabinet conclusions, 19 June 1950; PREM 8 1406 Part II minute by John Strachey, to Attlee, 11 Dec. 1950; A.J. Stockwell (ed.), *British Documents on the End of Empire, Malaya, Part I: The Malayan Union Experiment, 1942-1948* (London, 1995), pp. lxvii-lxix. Also see M.R. Stenson, *Industrial Conflict in Malaya: Prelude to the Communist Revolt of 1948* (London, New York, Kuala Lumpur, 1970), pp. 150, 158, 233.

movement in Indonesia and its struggle for her independence brought with it the unleashing of social and political forces that challenged the *status quo* with renewed intensity. Differently from what might have been expected, British enterprises and the British political authorities showed unusual unity in Indonesia and also in Siam where British policy objectives in the region — particularly protection of British subjects and expansion of their interests — were broadly synchronised with British business interests.

Chapters 1 and 2 largely set a scene already well established in the secondary literature, their purpose being to establish the background for the following chapters. The first two chapters clarify the Labour government's assessment of the value and significance of SEA for Britain's national interest. British desire to remain as an influential power in SEA is examined through the studies undertaken on the process of British regional policy-making and regional cooperation. An examination of the culture of, and relations between, government and British business in Malaya, as well as throughout SEA, lays the basic structure for the analysis of the interactions between these actors.

Chapter 3 analyses the economic aspects of the Japanese occupation of Malaya and the rehabilitation work that took place in the aftermath of the war. The focus is on the government's efforts to provide basic subsistence and goods, and to establish a social presence. The poor economic results of the Malayan rehabilitation programme and its negative consequences — the labour unrest — are re-examined. Chapter 4 focuses on reconstruction work undertaken by businesses themselves, often in the absence of large scale government assistance. The major issues dealt with here are the early resumption of business interests in the form of the recommencement of production, the loss of personnel, and the divisions over wartime planning and the

restructuring of Malaya's industries between government and business. The debates on several issues related to the reconstruction of the dollar-earning Malayan extractive industries are closely examined in order that they might provide an insight into the connection between the difficulties facing the reconstruction and the metropolitan government's economic troubles. This examination has highlighted the fact that while private business interests were not at all neglected by the British government, there were substantial differences, leading to an atmosphere characterised by intransigence in their relations, with regard to war compensation, financial aid for rehabilitation work and taxation.

Chapter 5 examines business relations with government around two distinct, but not entirely separate, issues: the contribution of Malayan extractive industries to closing the UK dollar gap and the counter-insurgency operations. It is often assumed that British businesses in Malaya received government backing because of their contribution to the British and colonial governments, and as a result of Malaya's colonial status. The case studies of Siam and Indonesia in Chapter 6 provide an opportunity to assess business relations with government outside the colonial context. Chapter 6 will also present an analysis of the degree to which the policies of, and political developments in the host countries, limited the scope of action by foreign interests. The analysis of the interactions between government and business aims at the development of an understanding of the role of each sectoral actor.

Chapter 7 examines the way in which the firms reacted to their uncertain business prospects, in circumstances where assistance from the government at home and from the local British authorities was scant and uncertain. In such circumstances, it became clear that if they were to survive, they had to adapt, and flexibility was the

cardinal virtue. Finally, a concluding chapter analyses the significance of the findings of this thesis.

Primary Sources

Official files in the Public Record Office are the main sources of this work. These include Foreign Office files, especially in the series FO 371, concerned with the Far East. Colonial Office files include much valuable correspondence with firms in SEA. Treasury and Board of Trade files are used for the discussion of dollar deficit and colonial resource development (in conjunction with D.J. Morgan's series *The Official History of Colonial Development*).⁴ Also consulted were PREM (Prime Ministerial files) and CAB (Cabinet files) 128 and 129. A.J. Stockwell's series *British Documents on the End of Empire* have a substantial selection of documents on the Malayan issues.⁵ Hansard is used with these files to observe the policy debate at the Parliamentary level as well as the ministerial level. The Modern Records Centre at the University of Warwick holds the files of the Federation of British Industries (FBI) and Trades Union Congress (TUC), including various country reports. These files are concerned with issues such as Britain's export-drive, US competition, colonial resource development, agency houses' extensive interests in the extractive industries, and Asian nationalism and the promotion of indigenous business interests. The issues of the Emergency in Malaya and the political situation in Indonesia immediately after independence are also

⁴ D.J. Morgan, 'The Origins of British Aid Policy 1924-1945', *Official History of Colonial Development*, Vol. 1 (London, 1980); D.J. Morgan, Developing British Colonial Resources 1945-1951, *The Official History of Colonial Development*, Vol. 2 (London, 1980); D.J. Morgan, Changes in British Aid Policy 1951-1970, *The Official History of Colonial Development*, Vol. 4 (London, 1980); D.J. Morgan, Guidance Towards Self-Government in British Colonies 1941-1971, *The Official History of Colonial Development*, Vol. 5 (London, 1980).

⁵ A.J. Stockwell (ed.), *British Documents on the End of Empire, Malaya*, Part I: The Malayan Union Experiment, 1942-1948 (London, 1995); A.J. Stockwell (ed.), *British Documents on the End of Empire, Malaya*, Part II: Communist Insurrection, 1948-1953 (London, 1995); A.J. Stockwell (ed.), *British Documents on the End of Empire, Malaya*, Part III: The Alliance Route to Independence, 1953-1957 (London, 1995).

covered by this selection of files. The Guildhall Library in the City of London has the files of the Overseas Committee of the London Chamber of Commerce and the Federation of Chambers of Commerce of the British Empire, which concentrate on foreign competition, the UK dollar shortage and Imperial preference. Amongst these, the London Export Merchants' Minute Books have details of trade with the Southeast Asian countries. Finally, Foreign Relations of the United States (FRUS) is an excellent source for American perspectives on Asian matters.

Secondary Literature

I will divide the major sources of secondary material according to subject and literary genre. Firstly, biographies provided a very useful insight into the Labour governments and their limits and strengths. Among the most important are Attlee's autobiography and biographies by A. Bullock, K. Harris, and F. Williams.⁶ Various works were also consulted addressing Britain's relations with the USA, Soviet Union and the European countries, particularly France.⁷ Secondly, there are several valuable books on Southeast Asian history and Britain's historical and colonial relations with Southeast Asian countries: R. Aldrich, I. Brown, T.N. Harper, P.H. Kratoska, A. McCoy, G. McT Kahin, J. Pluvier, A. Short, M.R. Stenson, J.A. Stowe, R. Stubbs, and N. Tarling's *The Cambridge History of Southeast Asia* are among the most significant.⁸ C.J. Christie

⁶ C.R. Attlee, *As It Happened* (Melbourne, London, and Toronto, 1954); A. Bullock, *Ernest Bevin: Foreign Secretary 1945-1951* (Oxford, 1985); K. Harris, *Attlee* (London, 1982); F. Williams, *A Prime Minister Remembers: The War and Post-war Memoirs of the Rt. Hon. Earl Attlee* (London, Melbourne, and Toronto, 1961).

⁷ W. Knight, 'Labourite Britain: America's "Sure Friend"? The Anglo-Soviet Treaty Issue, 1947', *Diplomatic History*, vol. 7, no. 4, Fall 1983, pp. 267-82; S. Greenwood, 'Bevin, The Ruhr and the Division of Germany: August 1945-December 1946', *The Historical Journal*, vol. 29, no. 1, 1986, pp. 203-212; S. Greenwood, 'Ernest Bevin, France and "Western Union": August 1945-February 1946', *European History Quarterly*, 14, 1984, pp. 319-337; M. Gordon, *Conflict and Consensus in Labour's Foreign Policy* (Stanford, 1969); A. Gorst, 'Facing Facts? The Labour Government and Defence Policy 1945-50', in N. Tiratsoo (ed.), *The Attlee Years* (London, New York, 1991), pp. 190-209.

⁸ R.J. Aldrich, *The Key to the South: Britain, the United States, and Thailand during the Approach of the Pacific War, 1929-1942* (Kuala Lumpur, Oxford, Singapore, New York, 1993); I. Brown, *Economic Change in South-East Asia* (Kuala Lumpur, 1997); T.N. Harper, *The End of Empire and the Making of*

deals with the nationalist awareness among the minorities in the region. Though it was not cited explicitly in this thesis, Christie's book provides an insight into the situation that prevailed behind the scenes in the mainstream nationalist movements and the *de facto* role played by the western powers in the process of establishing the basis for the independence of the colonies.⁹ The books by P. Dennis, F.S.V. Donnison, W.R. Louis and T. Remme are used to illustrate the factors that underlay Britain's regional policy and her ambitions in post-war SEA.¹⁰ The book by J.J. Puthucheary and articles by M. Caldwell and M. Rudner provide an insight into Malaya under British colonial rule.¹¹ Thirdly there are books that deal exclusively with British business interests in Malaya; mainly the agency houses and their extensive interests in the extractive industries. Puthucheary thoroughly examines the structure of the Malayan economy which was

Malaya (Cambridge, 1999); P.H. Kratoska, *The Japanese Occupation of Malaya: A Social and Economic History* (St Leonards, 1998); A. McCoy (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980); G. McT. Kahin, *Nationalism and Revolution in Indonesia* (Ithaca, 1952); J. Pluvier, *South-East Asia from Colonialism to Independence* (Kuala Lumpur, London, New York, Melbourne, 1974); A. Short, *The Communist Insurrection in Malaya 1948-1960* (London, 1975); M.R. Stenson, *Industrial Conflict in Malaya: Prelude to the Communist Revolt of 1948* (London, New York, Kuala Lumpur, 1970); J.A. Stowe, *Siam Becomes Thailand: A Story of Intrigue* (London, 1991); R. Stubbs, *Hearts and Minds in Guerrilla Warfare: The Malayan Emergency 1948-1960* (Singapore, Oxford, New York, 1989); N. Tarling, *The Cambridge History of Southeast Asia*, vol. three: From c. 1800 to the 1930s (Cambridge, 1999); N. Tarling, *The Cambridge History of Southeast Asia*, vol. four: From World War II to the present (Cambridge, 1999).

⁹ C.J. Christie, *A Modern History of Southeast Asia: decolonization, nationalism and separatism* (London, New York, 1996).

¹⁰ P. Dennis, *Troubled Days of Peace: Mountbatten and South East Asia Command, 1945-46* (Manchester, 1987); F.S.V. Donnison, *British Military Administration in the Far East 1943-46* (London, 1956); Wm.R. Louis, *Imperialism at Bay: The United States and the Decolonization of the British Empire 1941-1945* (New York, 1978); T. Remme, *Britain and Regional Cooperation in South-East Asia, 1945-49* (London, New York, 1995).

¹¹ J.J. Puthucheary, *Ownership and Control in the Malayan Economy; a study of the structure of ownership and control and its effects on the development of secondary industries and economic growth in Malaya and Singapore* (Singapore, 1960); M. Caldwell, 'From "Emergency" to "Independence", 1948-57', in M. Amin and M. Caldwell (eds.), *Malaya: The Making of A Neo-Colony* (Nottingham, 1977), pp. 217-249. M. Rudner, 'Rubber Strategy for Post-War Malaya, 1945-48', *Journal of Southeast Asian Studies*, vol. 1, ISS. 1, 1970, pp. 23-36; M. Rudner, 'The Draft Development Plan of the Federation of Malaya 1950-1955', *Journal of Southeast Asian Studies*, vol. 3, 1972, pp. 63-96; M. Rudner, 'A Reply to P.T. Bauer's Comment on Post-War Malayan Rubber Policy', *Journal of Southeast Asian Studies*, ISS. IV, 1973, pp. 300-304; M. Rudner, 'Financial Policies in Post-war Malaya: The Fiscal and Monetary Measures of Liberation and Reconstruction', *The Journal of Imperial and Commonwealth History*, vol. III, no. 3, May 1975, pp. 323-348; M. Rudner, 'Malayan Rubber Policy: Development and Anti-Development during the 1950s', *Journal of Southeast Asian Studies*, 7, 1976, pp. 235-259; M. Rudner, 'Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy', *Modern Asian Studies*, vol. 15, no. 1, 1981, pp. 83-105.

largely controlled by foreign business interests, mainly the British agency houses. Since this book covers practically every aspect of the Malayan economy in relation to foreign control, it is an invaluable source of figures that facilitate a comparison between foreign and indigenous business interests in each sector of economic life. R.P.T. Davenport-Hines and G. Jones comprehensively examine British business interests in Asia since 1860.¹² The book deals with British foreign investments, covering the forms taken by British enterprise, such as multinationals, agency houses, trading companies and banks. It examines their performance, and looks at the respective roles of the British business community and the British government, and also examines the factors that underlay the survival of British business since 1945. J.H. Drabble and P.J. Drake write more exclusively about the history of the British agency houses in Malaya, and pay particular attention to the ability of firms to adapt to changing circumstances.¹³ These general comprehensive studies are backed by studies on specific British multinationals, managing agencies and trading companies and banks such as Dunlop, Burmah Oil, Unilever, Hongkong and Shanghai Bank, Harrisons & Crosfield and the Borneo Company.¹⁴ With regard to the interactions between the British and colonial governments and British private firms with business interests in Malaya, Nicholas

¹² R.P.T. Davenport-Hines, and G. Jones (eds.), *British Business in Asia Since 1860* (Cambridge, 1989).

¹³ J.H. Drabble, and P.J. Drake, 'The British Agency Houses in Malaysia: Survival in a Changing World', *Journal of Southeast Asian Studies*, 12, 1981, pp. 297-328.

¹⁴ F.H.H. King, *Volume IV of the History of the Hongkong and Shanghai Banking Corporation: The Hongkong Bank in the Period of Development and Nationalism, 1941-1984 From Regional Bank to Multinational Group* (Cambridge, New York, Port Chester, Melbourne, Sydney, 1991); J. McMillan, *The Dunlop Story: the Life, Death and Re-birth of a Multi-national* (London, 1989); G. Jones, 'The Growth and Performance of British Multinational Firms before 1939: The Case of Dunlop', *Economic History Review*, vol. 37, no. 1, pp. 35-53; H. Longhurst, *The Borneo Story: the History of the First 100 Years of Trading in the Far East* (London, 1956); D.K. Fieldhouse, *Unilever Overseas: The Anatomy of a Multinational 1895-1965* (London, Stanford, 1978); T.A.B. Corley, 'Strategic Factors in the Growth of a Multinational Enterprise: The Burmah Oil Company, 1886-1928', in M. Casson (ed.), *The Growth of International Business* (London, 1983), pp. 214-235; T.A.B. Corley, *A History of the Burmah Oil Company 1886-1924* (London, 1983), vol. 1; P. Pugh, *Great Enterprise: A History of Harrisons & Crosfield* (London, 1990).

White has produced work using unpublished materials in Malaysia and Singapore.¹⁵

A. Stockwell has published numerous detailed studies on the origins of the Emergency, decolonisation, and planning for the Malayan Union scheme.¹⁶

The name 'Siam' became 'Thailand' firstly in June 1939 and then again in 1949. The term 'Siam' is used throughout the thesis. 'The Netherlands East Indies' is used most of the time, instead of 'Indonesia' because the issues referred to regarding this country mainly took place in the colonial period. However, the term 'Indonesia' is often used, irrespective of its colonial status when addressing issues where its political status is irrelevant to the context. 'Indonesia' is consistently used when referring to matters that took place after independence.

¹⁵ N.J. White, *Business, Government and the End of Empire: Malaya 1942-1957* (Oxford, 1996); N.J. White, 'Government and Business in the Era of Decolonization: Malaya 1942-57', *PhD thesis*, Department of History, University of London, 1993; N.J. White, 'Government and Business Divided: Malaya, 1945-57', *The Journal of Imperial and Commonwealth History*, Vol. 22, No. 2, 1994, pp. 251-274; N.J. White, 'Capitalism and Counter-Insurgency? Business and Government in the Malayan Emergency, 1948-1957', *Modern Asian Studies*, Vol. 32, Part. 1, 1998, pp. 149-177. He seeks to fill the historiographical gap by reassessing official and commercial interaction in politically disturbed Malaya. His point being that the maintenance of British business in Malaya was important to both central and Federation governments, nevertheless 'it was a thorny path ... Government and business never worked "hand-in-glove" during the emergency years.' (in White, 'Capitalism and Counter-Insurgency', p. 176).

¹⁶ A.J. Stockwell, 'A widespread and long-concocted plot to overthrow government in Malaya? The Origins of the Malayan Emergency', *The Journal of Imperial and Commonwealth History*, vol. 21, no. 3, 1993, pp. 66-88; A.J. Stockwell, 'Insurgency and Decolonisation during the Malayan Emergency', *Journal of Commonwealth and Comparative Politics*, vol. 25, no. 1, 1987, pp. 71-81; A.J. Stockwell, 'British Imperial Policy and Decolonization in Malaya, 1942-52', *The Journal of Imperial and Commonwealth History*, vol. 13, no. 1, Oct. 1984, pp. 68-87; A.J. Stockwell, 'Colonial Planning during World War II: The Case of Malaya', *Journal of Imperial and Commonwealth History*, vol. 3, 1974, pp. 333-351. A.J. Stockwell has also published several books in Malayan studies: A.J. Stockwell, and R.B., Smith, *British Policy and the Transfer of Power in Asia: Documentary Perspectives* (London, 1985); A.J. Stockwell and A.N. Porter (eds.), *British Imperial Policy and Decolonization, 1938-64*, vol. 1: 1938-51 (Basingstoke, 1987); A.J. Stockwell, and A.N. Porter (eds.), *British Imperial Policy and Decolonization, 1938-64*, vol. 2: 1951-64 (Basingstoke, 1989).

Chapter 1 The British Government's Assessment of the Value and Significance of Southeast Asia¹ for the National Interest

The impact in the Second World War in the European and the Asian theatres brought devastation to Britain and her colonial possessions in Asia. Reconstruction in the aftermath of physical destruction and social and economic disaster in Britain was the core of the newly elected Labour government's post-war policy at home. Alongside domestic policy which brought nationalisation and the introduction of a welfare state, in the international arena British interests in SEA were clarified, and her colonial relations restructured on the basis of the metropolitan government's wartime planning. In these circumstances, the government's assessment of the value and significance of SEA naturally reflected its perception of Britain's own interest: political, strategic and economic. The main conjunctural significance of SEA to British interests was with respect to Britain's dollar deficit. Malaya, a British colony in SEA, was the biggest dollar earner among the colonies in the pre-war period, and would continue to serve this role in the post-war period. Britain also had substantial business interests and capital investments in the region. SEA as a whole was not only an alternative market, but it was also a non-dollar source of raw materials. Moreover, the Pacific War had proved that once the security of SEA was at stake, then so was that of India and the Dominions in the Pacific, and thus the British Empire itself. Given these circumstances keeping the region safe and stable in the post-war period sat well with British interests and the Labour government's aim of maintaining Britain's role as a power.

¹ Southeast Asia is '... usually understood to comprise Siam (later Thailand), Indochina, Malaya and the Netherlands East Indies. For certain purposes, however, Burma in the west and Hong Kong in the east are also included within the area': PRO FO 63549 F2616/2616/61 British Policy in South East Asia, South East Asia Department, 24, Jan. 1947. A paper published by the US State Department defined Southeast Asia to include Indochina, Indonesia, Burma, Malaya, Siam and the Philippines: PRO FO 371

Britain wished to maintain her pre-war economic and political influence in the region, but her success was conditioned by the fact that post-war SEA was now more diverse. The views of the South Asian countries would need to be considered and those of the emerging elites and colonists of the Southeast Asian countries themselves could not be ignored. In addition, the Soviet Union was growing as an alternative power to the USA in the Far East. Within this context the British worked diligently to press the Dutch and the French to make plans to concede self-government to the Netherlands East Indies (NEI) and French Indochina, as a means by which stability could be brought to a region beset by the war and the nationalist struggle against the European colonialism. The British argued that such measures would ultimately contribute to world peace. Given the urgency of the reconstruction of her own domestic economy Britain expected the USA to take up some of her extensive responsibilities overseas. The US Administration, however, was by no means willing to intervene in this politically sensitive part of Asia. Moreover, the British had very little faith in the Americans' ability to become the major power in the region. The USA had far fewer historical links than Britain with most countries in SEA. The region had, after all, been staked out for decades, if not centuries, as British, French and Dutch territory before the USA had belatedly stumbled into it, only half a century before, following the Spanish-American War. As a result of this imbalance of historical interests in SEA between these two Western powers, their post-war strategies on the region were subsequently beset by long-running conflicts.

This chapter sets out the British government's assessment of the value and significance of SEA to the national interest and the objectives of the Attlee government's Southeast Asian policy. The assessment is divided into three different categories:

76025 F17668/10345/61G US Policy towards Southeast Asia: copy of a US Planning Staff Paper, 29 Mar. 1949.

strategic, political and economic. This division appears in numerous places, whether to explain the significance of the region to the British national interest or simply to clarify British interests in the region.² There may be confusion, however, over the definition of, and difference between, strategic and political interests. British strategic interests are concerned with the value of a territory or a resource to the British Empire in a hypothetical hostile situation. Political interests, though not entirely detached from the strategic interests, deal rather more with the mundane pattern of British relations with the places concerned. The latter part of this chapter reviews British endeavours to obtain the cooperation of other powers in SEA as a means to keep the region stable and secure.

1.1 British Interests in Southeast Asia in relation to Britain's National Interest

Prior to the Pacific War, SEA was 'a comparatively unimportant and little known area', but the war demonstrated the region's strategic, political and economic significance.³ As India would be granted independence in the foreseeable future, SEA, particularly Malaya (including Singapore), acquired increasing significance in British thinking.⁴ Britain was the leading power in SEA because of her long historical, commercial, and political links with the countries in the region. British interests in SEA, which were closely related to its own national interests, fell into three different categories: first of all, political interests, tempered by a feeling of responsibility as a colonial power in the region, secondly strategic interests, and thirdly commercial interests. Britain's colonial relations with her Dependencies in SEA had a profound impact on her interests in the whole region.

²²² For instance, PRO FO 371 54052, and 63549; CAB 21 1954; T. Remme, *Britain and Regional Cooperation in South-East Asia, 1945-49* (London, New York, 1995), pp 211 ff.

³ PRO CAB 21 1954 Appointment of Special Commissioner in SE Asia: outward telegram no 656 from the Cabinet Office to Admiral Louis Mountbatten, 13 Feb. 1946.

⁴ Remme, *op.cit.*, p. 11. The Acts of 1919 and 1935 had already made substantial transfers of power to India. In 1940 the British government accepted the principle that Indians should themselves frame a new constitution for fully autonomous India.

Although SEA was not the first priority of British foreign policy (the FO specified SEA as third after Europe and the Middle East), its political and strategic significance came to be more fully recognised (as Communism took a greater hold in Southeast Asian countries) during the late 1940s. SEA was an important source of raw materials and a market for British manufactured goods. British investment in the Southeast Asian countries had taken place from the early years of the colonial period, although in comparison with India and China, they were relatively minor trading partners. However, thanks to its political relations with Britain, Malaya attracted a great amount of investment from both British private enterprises and the colonial government; in particular Penang, Malacca, and Singapore were purpose built as entrepôts to foment the increasing trade between West and East. Outside of colonial relations, Siam and Indonesia were significant to Britain as foci of cultural influence and also as trading partners.⁵

1.1.1 Strategic Significance

Building a naval base in Singapore had been proposed as early as 1919, as a part of Britain's naval strategy. Its purpose was to secure the principal routes of imperial communication and provide a base out of which capital warships could operate. Progress in the construction of the base went slowly through different phases owing to the economic collapse in Britain during the late 1920s and also to the moves toward

⁵ Before 1914 Britain was the world's largest capital exporting country. While Britain's share of world trade fell from 23 to 17 per cent between 1870 and 1914, its Foreign Direct Investment (FDI) stock rose from around £160 million to £1,680 million between 1870 to 1913 with an annual growth rate of 5.3 per cent. Asia, especially China and India, was significant as a recipient of capital exports from Britain. In the 1930s, Britain's surplus in trade with the Asia of the 1920s turned to deficit, though Britain still remained significant as a market and as a supplier of imports to Asia. Nevertheless, as far as capital investment was concerned, Britain was still the leading creditor in Asia. In the inter-war years Britain was 'the most important source of foreign capital for India, the largest foreign investor in Siam and Malaya, and the second largest investor (after Japan) in China': R.P.T. Davenport-Hines, and G. Jones,

disarmament.⁶ Nevertheless, stimulated by the Japanese expansion in Asia during the 1930s, Britain went ahead with the plan, and the base was finally completed at a cost of approx. £63m.⁷

In the late 1930s, the possibility of a conflict with Japan seemed imminent to those in the Malayan administration. Accordingly, they began to organise food supplies and rice stockpiling, and to equip hospitals to treat military casualties in times of hostility.⁸ As in the 1920s, the potential of the Japanese forces to land in southern Siam and northern Malaya was considered. This prospect was rejected at once, however, because the British thought that the Japanese would have wished to avoid the extremely hostile terrain of the peninsula, which would be insuperable barriers to communications, preferring the approach by sea.⁹ In addition, the presence of the 'impregnable' naval base in Singapore and of British troops gave false assurance not only to the British Chiefs of Staff, but also to US intelligence. A memorandum written by US intelligence a week after the landing of Japanese forces in northern Malaya (on 8 December 1941) shows their undiminished confidence in the strength of British military forces in Malaya, aided by the defences provided by the country's geography.¹⁰ As a result of defence plans that largely disregarded the main Malay Peninsula, it took the Japanese troops, who hardly

'British Business in Asia Since 1860', in R.P.T. Davenport-Hines, and G. Jones (eds.), *British Business in Asia Since 1860* (Cambridge, 1989), pp. 3-6.

⁶ P. Kratoska, *The Japanese Occupation of Malaya: A Social and Economic History* (St Leonards, 1998), pp. 26-27.

⁷ G. Woodcock, *The British in the Far East* (London, 1969), p. 228. In February 1938 there was an opening ceremony of the naval base, but it was not yet finished, and remained unfinished till the fall of Singapore: Kratoska, *op.cit.*, p. 27. It should be noted that Hall's estimate of the expenditure of the construction is markedly different, £20 million: D.G.E. Hall, *A History of South-East Asia* (London, 1964), p. 803.

⁸ Kratoska, *op.cit.*, pp. 29-32.

⁹ According to Kratoska (p. 34), the British defence plans of the 1920s had largely disregarded the Malay Peninsula, while emphasised the need to protect Singapore. However, during the late 1930s there was a revision over Malayan defence by which the possibility of a landward advance on Singapore was correctly assessed: see R.J. Aldrich, *The Key to the South: Britain, the United States, and Thailand during the Approach of the Pacific War, 1929-1942* (Kuala Lumpur, Oxford, Singapore, New York, 1993), pp. 188-194.

met any serious resistance, less than two months to capture the entire peninsula. The assault on Singapore began on 8 February 1942, and the fortress, in reality, proved to be ineffective against the swift advance of Japanese troops.

The fall of Singapore on 15 February 1942 marked the nadir of British power in Asia. Lord Cranborne, the Colonial Secretary, defended Britain, arguing that it was unjust to single out the British, as the French, the Dutch and particularly the Americans had all suffered defeats at the hands of the Japanese.¹¹ In particular, the US administration's refusal to join the League of Nations in opposing the Japanese occupation of Manchuria had allowed Tokyo to expose British fallibility in Asia. By the summer of 1940, the Japanese had successfully penetrated into French Indochina and had demanded the closure of the Burma Road, which was China's only remaining link with the Western world, as coastal access had been closed by Japanese occupation. When Britain failed to gain a pledge of support from America in the event of attack from Japan, Churchill decided to close the road for three months. The re-opening of the road the following October only served further to expose Britain's isolation and therefore her weakness. Then the prospect of an attack from Japan appeared ever more realistic. From this time onwards the British government, whose commitments in the European theatre, the Atlantic and the Mediterranean, had not left sufficient armed power in the region to defend Singapore against Japanese attack, asked for part of the American Pacific fleet to be sent to Singapore. However, the plea fell on deaf ears, and the USA did not move until they themselves were attacked in 8 December 1941.¹² Cranborne argued

¹⁰ Coordinator of Information, British Empire Section, Special Memorandum No. 16, Singapore, 12 Dec. 1941. OSS R&A No. 34, cited in Kratoska, *op.cit.*, p. 37.

¹¹ PRO CO 825 35/4 F227 minute by Lord Cranborne, 14 July 1942; PRO CO 825/35/55104 Lord Cranborne to Eden, 18 Aug. 1942, cited in Wm.R. Louis, *Imperialism at Bay: The United States and the Decolonization of the British Empire 1941-1945* (New York, 1978), pp. 189-90.

¹² Aldrich, *op.cit.*, pp. 20-24; J. Pluvier, *South-East Asia from Colonialism to Independence* (Kuala Lumpur, London, New York, Melbourne, 1974), pp. 92-124.

emphatically that ‘... [I]t is in fact the United States who have above all brought about the present situation in the Far East’. He went on to say that as for Britain, ‘let us shoulder our share of the blame. But do not let us shoulder theirs too’.¹³ However, one of the reasons for the severe criticism of Britain based on the pre-war defence strategy of Western colonial powers in SEA, which was centred around the assumption that any attack from Japan would come by sea, and thus be deterred by the strong British sea power. The means of attack, contrary to British expectations, was truly devastating for the Western world.¹⁴

SEA emerged from the three and a half years war and Japanese occupation, with its economies run down and its infrastructure, especially its means of communication and its port facilities, largely destroyed. The population suffered from atrocity, malnutrition and disease at a level hardly experienced before.¹⁵ The war was over, but its legacy remained in the form of a marked decline in moral and ethical standards, a ruined economy, physical destruction, and disorder. Britain established military administrations in the British territories. The South East Asia Command (SEAC)¹⁶ continued its operation in the NEI and Indochina in order to maintain law and order, to preside over the release of the Prisoners of War (POWs) and the internees, and to disarm and repatriate the Japanese forces. Although it was still too early for the British to fully appreciate the changes that had occurred in the region owing to the war and the

¹³ PRO CO 825 35/4 F227 minute by Lord Cranborne, 14 July 1942.

¹⁴ Pluvier, *op.cit.*, pp. 170-71.

¹⁵ *ibid.*, pp. 357-9.

¹⁶ The Quebec Conference in August 1943 decided to establish the South East Asia Command, ‘embracing Burma, Malaya, Sumatra and Thailand’. Lord Louis Mountbatten was appointed the Supreme Allied Commander Southeast Asia. During the Potsdam Conference its responsibility was extended: C.M. Turnbull, ‘Regionalism and Nationalism’, in N. Tarling (ed.), *The Cambridge History of Southeast Asia*, vol. 4: From World War II to the Present (Cambridge, 1999), p. 258; A.J. Stockwell, ‘Southeast Asia in War and Peace: The End of European Colonial Empires’, in N. Tarling (ed.), *The Cambridge History of Southeast Asia*, vol. 4: From World War II to the Present (Cambridge, 1999), pp. 4-5.

Japanese occupation, the war, nevertheless, demonstrated the strategic significance of Singapore for the region, and of SEA for the British Empire and Commonwealth.

British strategic interests in SEA were based, first, on a need to secure the main strategic concentrations of British interest and population in the Pacific Basin: Australia, New Zealand, Western Canada, and Malaya. Beyond this, to secure the security of Burma and India and Ceylon, against attack from the East required a successful defence of SEA, which formed the southern flank of any such attack. Secondly, SEA was the key strategic point of concentration of the sea, air and cable communications of Britain with Australia and New Zealand. Thirdly, the security of SEA ensured the defence of British local assets, concentrated mostly in Malaya, Siam, Indonesia, and Burma, and in the lesser dependencies around the region.¹⁷ In addition, SEA, especially Malaya and the NEI, was Britain's main supplier of tin and rubber — two vital strategic materials.

A prerequisite of security in SEA and Asia in general was the full and early support of the USA. Thus it was axiomatic that Britain, Australia, New Zealand, Canada and particularly India should agree with the USA in advance on a policy for the provision of both forces and bases. This was not easy to achieve however, because there appeared to be too many US bases in the Pacific, and also it was suspected by many that these bases were only kept in order to ensure that they would not be occupied by other powers.¹⁸

The strategic requirements of the British Commonwealth countries in the region and the Pacific were: firstly, to make sure that no potentially hostile power established itself in the East; secondly, to control the sea and air routes to the south and east from

¹⁷ PRO FO 371 54052 F6208/2129/G61 draft memorandum prepared by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, part. IV. The Dependencies are namely North Borneo, Hong Kong, Papua and the mandated territory of New Guinea, Fiji and the smaller islands in the Pacific, which form part of the general defensive system comprising the main strategic areas listed above.

¹⁸ PRO FO 371 46410 F6721/6721/61 Balfour, British Embassy, Washington, to FO, 11 Sept. 1945.

Russian or Japanese bases, through forward naval and air bases held either by the British Commonwealth or by the USA; and thirdly, in the event of penetration of this line of forward bases and of a delay in the full development of the US war effort to enable Britain, Australia, and New Zealand in cooperation with the Dutch and French to maintain an alternative defensive cordon from a system of bases along a line from French Indochina to Samoa through Borneo.¹⁹

Immediately after the war, Britain considered no single power strong enough to endanger the region's security, but acknowledged that the only realistic threat came from the Soviet Union in alliance with either China or Japan or both.²⁰ Yet the Labour government was not so much concerned with any direct threat from the Soviet Union to SEA, as with the vaguer possibility that the Soviets might first want to remove any possible threat from Japan if they were to fight a war in Europe. Moreover, the Soviet Union was unlikely for some years to have a large and powerful Far Eastern fleet, able to constitute a potential threat to British strategic interests in the Pacific.²¹

With regard to Japan, the British strategy was for the Commonwealth and the USA to first of all continue the suppression of her military power through strict economic control. Although Japan would not be strong enough to generate another war for a number of years, nevertheless Britain need to ensure that Tokyo did not receive assistance from the Soviet Union. China was also regarded as significant because of its

¹⁹ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, pp. 52-53.

²⁰ *ibid.*, part. V.

²¹ PRO FO 371 46336 Strategic Interests in the Far East: report by the Joint Planning Staff of the War Cabinet, 1 Jan. 1945. Indeed, the Soviet navy was to remain a glorified transport service for the Red Army until the development of a 'Blue Water' doctrine in the 1970s.

relations with the Soviet Union and the potential threat in case the latter gained access to China's manpower resources.²²

The real threat, however, was the apparent possibility of a clash between the USA and the Soviet Union as the Cold War deepened. The main concern of the British government, which did not contemplate a direct war with the Soviet Union in the immediate future, was based on provocative US strategic interests and post-war foreign policy. The USA was expanding its bases and forces in various parts of Asia, and this irritated the Russians. Moreover, it was a well-known fact that the USA's virtual sole control over Japan was deeply resented by the Soviets, who were concerned at the prospect of Japan becoming a base for hostile action against themselves by the USA. From the British perspective, it was possible that American and Soviet interests might come into direct conflict over the control of Japan. Furthermore, the strategic interests of the two powers were sharply opposed in China and in Korea. Korea, in particular, was 'the first danger spot', in which each occupied half of the country as a trusteeship. In 1946, the British FO already foresaw that the Far East including SEA was one of the areas where Soviet-American rivalries were likely to be most acute. With somewhat wishful thinking, the FO drew the conclusion that the Soviet Union would first work to improve her position, then to extend her influence as energetically as she could, while still seeking to avoid provoking a major clash, and that in any case neither the Soviet Union nor the USA was in a condition necessary to sustain a war.²³

²² PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, pp. 52-3.

²³ *ibid.*

1.1.2 Economic and Financial Importance

In order to assess SEA's economic and financial importance to Britain's national interest, the scale of British interests in the region should first be clarified. British economic and financial interests in the Far East fell into three categories: trade, capital investments, and invisible exports. Invisible exports were often closely associated with capital investments, as were dividends and royalties, but services like shipping, banking and insurance cannot be reduced to outcomes of foreign direct investment and were therefore categorised independently.

UK trade with this area, from a quantitative point of view, was not of primary importance, accounting for about 4.5 per cent of UK imports and 5.75 per cent of UK exports (1937-39 averages).²⁴ However, the ratio of UK exports to UK imports from East Asia was relatively favourable to the UK compared to UK trade as a whole: 72:100 against 58:100. Geographically speaking, 77 per cent of British exports and 64 per cent of imports consisted of trade with countries south of the Tropic of Cancer and 58 per cent of British exports and 46 per cent of British imports were with British territories, partly for re-export. The British Dependencies not only provided half the British East Asia trade, but also supported sterling exchange by large exports of their raw materials to the USA. UK exports consisted of various goods, such as textiles, vehicles, capital and consumer goods while imports consisted almost entirely of raw materials, including silk, rubber, tin, jute and foodstuffs such as tea, sugar, copra, and spices.²⁵

In the case of capital investments, however, it is not possible to make any authoritative estimate of British investments in East Asia because the nominal values of

²⁴ PRO FO 371 76041 F10598/1103/61 Economic and Social Development in the Far East and SEA: preliminary report by the Working Party, established at the 5th Meeting of the Far Eastern Official Committee, 12 May 1949. If India is included, the percentages become about 9.5 per cent of UK imports and 6.5 per cent of UK exports (by value).

capital investments held by British shareholders in stocks quoted on the London market often undervalued their worth, and also excluded companies not quoted on the London market; holdings of shareholders who were not UK residents, but paid through London; and the holdings of UK citizens who resided in the Far East. Nevertheless, of the income receivable as interest or dividends on capital investments in East Asia, between 78 per cent and 66 per cent arose south of the Tropic of Cancer and between 65 per cent and 55 per cent in the British Dependencies. In addition there were British holdings of foreign bonds, the largest holdings being in China and Japan, though the value of these would have to be revised after the war depending on the ability of each country to meet its external obligations.²⁶

The third form of income, invisible exports, consisted of: firstly, remittances to the UK by individuals and, secondly, earnings from shipping, banking and insurance. Among these service areas, it was possible to estimate gross earnings and profits only for shipping. In the case of insurance it was known only that the total premium income of British insurance companies and of Lloyds insurance brokers in the East before the war was a substantial amount; in fact, it was assumed to be several million pounds a year, and moreover, the profits were normally remitted in full to Britain. The British banks in Asia specialised in Eastern business, gaining substantial earnings through exchange dealings and considerable profits in London on the clearance of sterling bills, thus providing an invaluable service to British business interests.²⁷

In summary, an early re-establishment of both trade and other forms of business was imperative, for all these commercial activities were interdependent. Since the British

²⁵ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, p. 46.

²⁶ *ibid.*, p. 48. In the case of China the British government could directly negotiate with the Chinese government, but in Japan with the Allied Powers.

Dependencies accounted for the majority of British economic and financial interests, early recovery of these areas would be the most cost effective, and would have the greatest effect on the British economy because this recovery would support sterling exchange against the dollar.²⁸

1.1.3 Political Importance

SEA's political significance to Britain lay mainly in her relations with the colonial Dependencies but also extended to historical relations with the rest of the region. Britain wanted to remain her pre-war hegemony and to preserve her interests in post-war SEA. The relationship directly related to the pursuit of British political interest was that with the USA, and with the Southeast Asian countries as well as the European colonial powers. In the post-war period, although the US administration was primarily driven by pragmatism, US anti-colonial rhetoric grew stronger, still prevailing over the Anglo-American relationship. In order to keep the 'Special Relationship', the British observed that the USA thought that Britain ought to show them that she was progressive rather than reactionary with regard to colonial issues. The British were well aware of the fact that the work of the SEAC, as the liberating force, and the ensuing political events between the European colonial powers and their colonies were closely watched by the Americans, and by Britain's own colonies in South and Southeast Asia, particularly India. Britain's success in laying a foundation for her European allies to work on self-government in their respective colonies during the reoccupation period would not only stabilise the war-stricken region, but also save her from heavy criticism of the USA.

²⁷ *ibid.*, pp. 48-49. For the details of how many British lived abroad, and how much money was brought back to Britain a year, see p. 49.

²⁸ *ibid.*, p. 50.

Britain also calculated that this might induce more material as well as moral support from the latter.

The official British FO view on post-war Asia was that the whole of SEA and the Far East, particularly those territories in the South of the Tropic of Cancer in which the greater part of her strategic and economic interests lay, should be viewed from a world perspective rather than each country being individually assessed, particularly in the setting of the United Nations Organisation (UNO). In this respect, Britain's relations with the USA and the Soviet Union had significant implications for policy making on the region. To the North of the Tropic of Cancer Britain showed herself disinterested, her attitude based on a belief that a non-involvement policy would be more appreciated by the USA. The British also assumed that the principal burden on the USA was to ensure that Japan should not re-emerge as a military power and any encroachments by the Soviet Union in Asia should be restrained. However, to the South of the Tropic, where British-owned strategic and economic interests were more substantial, the British took up the task of strengthening and developing the area as far as possible in conjunction with neighbours such as the NEI and French Indochina.

The British aim was to ensure a measure of security and stability in the region, which would assist in maintaining their own interests. There was an appreciation among the British that the pre-war *status quo* was not acceptable to most Southeast Asians, and a revised understanding between the European colonial powers and the colonies was required, which, at the same time, would be satisfactory to the Americans and sufficient to thwart any intervention by the Soviets.²⁹ As the post-war stability and development of British and non-British territories in the region were inextricably linked, Britain needed to work closely with both the native peoples and the metropolises.

The presence of the SEAC should provide the opportunity for Britain to expand her influence in the region by linking the colonial and foreign territories under the British-dominated military organisation. Initially SEAC's involvement in the political development of the NEI and French Indochina fulfilled the Supreme Allied Commander, Southeast Asia, Lord Louis Mountbatten's instructions to establish law and order, repatriate the Japanese and rescue prisoners of war. However the actions taken in the process resulted in wide criticisms from the USA, as well as from the other European colonial powers and Asian countries. The responsibility of liberating the NEI (except Sumatra) and of the part of French Indochina south of the 16th parallel, was only given to the SEAC at the Potsdam Conference (17 July-2 August 1945), just before the surrender of the Japanese, in order for the US South West Pacific Area to concentrate on invading Japan. There had therefore been no British planning for these contingencies, as the NEI and Indochina were not British territories.

Although clearly military, the SEAC often had to deal with administrative, and even political, matters in the face of escalating Asian nationalist struggle with the returning European colonial powers. The SEAC military commanders in the NEI and in French Indochina were bound to set up administrations out of necessity. Mountbatten tried hard to prevent himself and his commanders from being involved in political matters,³⁰ but he often faced a dilemma in the process, because of the clash of two incompatible and conflicting considerations: the obligations of friendship felt by the British towards their European allies and loyalty to liberal policies in dealing with the Asians. Moreover, since Indians, the self-appointed advocates of all nationalist

²⁹ Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, p. 6.

³⁰ This is well shown by the dismissal of General Christison by Mountbatten after the former having made several comments (especially out of sympathy toward the Indonesian nationalists) on political matters without consulting or any direction from his superior: see, P. Dennis, *Troubled Days of Peace*:

aspirations in Asia, comprised the majority of British troops, balancing the interests of European colonial powers and their respective colonies in SEA was a sensitive issue within British circles.³¹

From the outset, therefore, British policy makers gave careful consideration to the divergence of views on sensitive matters relating to the liberation of the colonies and their political future so as not to jeopardise the British relationships with other countries, in particular the USA. Contrary to British hopes, the wide measure of agreement that existed between the Allies on major issues of foreign policy could not prevent disputes over general matters, like the treatment of colonial territories, from straining their relationship. The early post-war years showed that the relationship between the UK and the USA was not going to run smoothly unless they could resolve their differences over colonial matters. Against this background, SEA's importance to Britain was greatly enhanced by the independence of India, which resulted in the shift of the centre of British influence in eastern Asia from Delhi to Singapore, and by the conviction among the British that 'Moscow was sponsoring the Communist insurrections' in SEA in 1948.³² Indeed, towards the end of the 1940s the security of the British Commonwealth in South Asia and the Pacific seemed again to be in danger, not from any direct attack by an enemy, but from subversive Communist expansion in SEA. All these factors added to the significance of SEA for the defence of British possessions, and these increased the need to re-define her relations with the USA in order not to repeat what happened in 1940-1941 in the face of increasing Japanese encroachment.

Mountbatten and South East Asia Command, 1945-46 (Manchester, 1987), pp. 92, 100-03, 156-57, and also see pp. 182-84 for the dismal of Christison.

³¹ F.S.V. Donnison, *British Military Administration in the Far East 1943-46* (London, 1956), p. 401.

³² Remme, *op.cit.*, p. 211.

1.2 British Policy in Southeast Asia 1945-47: the Objectives and Aims

When the war was over, completely new situations arose which had not existed before 1941. In addition to the unprecedented war destruction and the sufferings imposed on the local people, the British FO was concerned with the social, political and economic disorder left by the Japanese, the accelerated growth of nationalism in Asia, the disappearance of Japan as a supplier of manufactures, the appearance of the Soviet Union as a major power in the Far East, the predominance of the USA in the Pacific and the weakness of France and the Netherlands as colonial powers.³³ Moreover, local Communist movements were growing fast owing to the economic and political instability in the region. All these factors directly affected the direction of British policy in SEA and its objectives.

The main objectives of British policy in the Far East in 1945 were: firstly, the security of British territories and the protection and well-being of British subjects and British assets in the area; secondly, good relations between the governments and peoples of the British Commonwealth and those of countries with interests in the area, and among all the countries with interests in the area; and thirdly, economic progress and financial stability in the area and the extension of British economic interests.³⁴

However, as noted previously, the British faced various problems in achieving the objectives listed above, and among these the most important and difficult was that of political advancement in SEA. The way in which the European colonial powers had left their territories, together with rising nationalism, made it difficult for them to regain their previous position in the region. Moreover, other countries, especially the US, were now sensitive to issues relating to colonialism and nationalism and were watching political

³³ For the rest, see PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, p. 4.

developments in the NEI and French Indochina closely. Notwithstanding this the British repudiated the various nationalist movements as alternatives to resumption of government by the colonial powers, lest the whole region fall into chaos and general unrest. They insisted that self-government 'must be an orderly growth, and be designed to meet local conditions'.³⁵ They simply did not have any trust in the ability of the natives, who seemed to lack the experience and political cohesion to attain the degree of stability on which the post-war world relied.

Within Whitehall, the direct responsibility for Siam, the NEI, and French Indochina resided with the FO, while Malaya and other colonies were under the Colonial Office (CO). Each country's political situation largely affected its neighbours, but the prosperity of individual territories was not greatly dependent upon prosperity amongst their neighbours.³⁶ As Malaya and the NEI relied heavily on rice imports from their neighbours, Siam, Burma and Indochina, an assurance of stability in the latter countries was still significant. The British government set up a general foreign policy that covered the whole region, but also specified the aims in each particular country.

In Siam the British were interested in promoting stability and the development of democratic institutions in a former belligerent. As the militarist ultra-nationalist government in the 1930s discriminated against British as well as European interests in the country, it was therefore in Britain's interest to promote every possible chance to assist the liberal elements there.³⁷ Britain had special interests in Siam in terms of defence and commerce and in the event of any conflict, Britain needed to integrate Siam into its defence system for the region's security. The priority for defence in SEA was always

³⁴ *ibid.*, p. 3.

³⁵ *ibid.*, p. 4.

³⁶ *ibid.*, p. 5.

³⁷ PRO FO 371 63549 F2616/2616/61 British Policy in South East Asia, South East Asia Department, 24 Jan. 1947, p. 1.

given to French Indochina, nevertheless, the use of communications and facilities in Siam would assist in the defence of Indochina. If Indochina fell into an enemy's hands, the security of Malaya and Burma would entirely depend on the ability of British naval and air forces to maintain control over the Gulf of Siam. Besides, there was a possibility of land operations on Siamese territories in the Malay peninsula.³⁸

Under the post-war policy, British commercial interests, which were the biggest amongst foreign interests in the country in the pre-war period, were to be maintained and developed. Despite the subsequent difficulties in resuming commercial activities, mainly because of the troubled political relationship that had arisen from the state of war between Britain and Siam and the consequent negotiations on war compensations, the policy was designed 'to encourage and assist British companies to resume and develop their activities'. The main theme of British policy in Siam was 'to secure ourselves'.³⁹

Britain, while trying to bring the Dutch to the negotiating table with the Indonesians, also planned to provide the physical means of rehabilitation under the SEAC. The monetary system was in complete chaos due to the circulation of three different currencies — the Japanese military guilder, the Republican rupee and the N.I.C.A. currency in the Dutch controlled areas.⁴⁰ Without trust in the monetary system there would not be any incentives for foreign investors to bring in capital essential to restoration and rehabilitation. Establishment of a realistic monetary policy was therefore the essential prerequisite to recovery together with a stable political situation. On the other hand, there were British plantation companies whose representatives had been waiting to get back to their estates during the period of uncertainty, which was extended

³⁸ Siam and her strategic position in the British defence system in SEA is from PRO FO 371 46544, 46545, and 63549.

³⁹ PRO FO 371 63549 F2616/2616/61 British Policy in South East Asia, South East Asia Department, 24 Jan. 1947, pp. 1-3.

by the hostilities between the Indonesians and the Dutch. The British government promised, first, to give them 'steady official backing not only locally, but in London'⁴¹, but unsurprisingly this was often violated, not by the British government and officials but by the dangerous internal conditions in the Archipelago.

Indonesian leaders were seeking SEAC's assistance and advice on constitutional issues, education, social welfare, health, and labour relations, and they looked towards Britain as a model for their independent state in the future. These approaches were enthusiastically taken up by the British as an opportunity that should not be lost to further its influence in the archipelago. As in Siam, British interests were to maintain Indonesian leaders who could preserve British interests in the country, in order to mould Indonesia in the way in which the British wanted.

The scope for the British to work in French Indochina was however limited because the French would not appreciate any attempt by Britain to spread any form of influence in their territory. For reasons including this, but mainly because of their political and commercial interests, the British paid more attention to Siam and the NEI than to French Indochina.⁴²

Malaya had a significant position in British Southeast Asian policy. As with the Philippines for the USA, Britain was extremely conscious of the effects of her success or failure in Malaya on her influence in SEA as a whole — and on her survival as a major Far Eastern power. The FO also assessed that success was largely dependent on the degree to which Britain showed herself to possess both sympathy and progressive leadership in working towards the rehabilitation of economic and social stability. In

⁴⁰ PRO T 236 1292 Economic Survey of the N.E.I written by Economic and Industrial Planning Staff, May 1947, p. 8.

⁴¹ PRO FO 371 63549 F2616/2616/61 British Policy in South East Asia, South East Asia Department, 24 Jan. 1947, P. 11.

⁴² *ibid.*, pp. 8-13.

doing so, an urgent need was to recruit the right people who would give a new impetus to officialdom as well as to the rest of the British community.⁴³

In conclusion, the objectives of British policy in each country were aimed at rehabilitation and stability. However, the ultimate goal of the policy was to benefit Britain itself, as might be expected. The British faced various problems in achieving these objectives, among them the most important and difficult being that of political advancement in SEA. The British were well aware of the changed mood in SEA towards them since their defeat by the Japanese and their re-entry into the region as an ambiguous 'liberator'. Nevertheless, the re-occupation of the region went smoothly, and was complete by the end of 1946, though in the process there often arose clashes with both the European colonial powers and the locals. From then on, though still concerned with the implications that the outcomes of instability and unrest would have for socio-economic progress, British assistance in the social, educational, economic and political (mainly constitutional) spheres would be given equal weight in order that it might entrench its future influence.

1.3 Forms of Cooperation with Other Powers

By means of ensuring security and stability in SEA, the British worked: first of all to maintain the colonial powers in the region; secondly to sustain cooperation with the USA and the Asiatic countries, including the Commonwealth (this was also a way of easing their heavy responsibilities in the region); and thirdly to establish cooperation in the region between the UK, the USA, and the USSR. However unrealistically, the British continued to hope that great power cooperation could secure the region against any major clash between the powers, and keep British interests, and the region, safe.

⁴³ *ibid.*, pp. 13-4.

1.3.1 Resumption of the Colonial Powers and the South East Asia Command

Despite US anti-colonial rhetoric and the pressure directly placed on Britain, the Labour government felt a strong moral obligation to restore the European powers to their territories, in the belief that only their presence could maintain stability in the region. Although Britain was only placed in that position during the course of the war, she still regarded herself as a trustee for her allies. The establishment of a just and stable system of government in the region was the first priority, and the British did not believe in the ability of the Southeast Asians to rule themselves and to stabilise the economy and politics, on which the post-war world relied, on account of their apparent lack of experience and political cohesion. At the same time, however, the FO argued that France and the Netherlands should make every possible effort not to antagonise the local people when resuming governance of their colonies, so as to maintain a good relationship with them. Furthermore the FO also proposed that the metropolitan countries should release a feasible plan for future independence or self-rule of these countries as a condition to the resumption of their position.⁴⁴

Behind this planning proposal there was also an acute material consideration. Britain understood the significance to European recovery of Dutch relations with Indonesia and those of the French with Indochina. Thanks to the liberal economic policy of the Dutch in the NEI (mainly born of their realisation of the insufficiency of their own capital resources to develop the abundant resources of the colony), the British, the Americans and the French actively invested into the NEI. While 75 per cent of business investments in the colony prior to the war had been Dutch, this was relatively small in

⁴⁴ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945.

comparison with the French, whose outlays in Indochina had constituted 95 per cent of business investment, or the British with 90 per cent in Burma, though they were considerably more than the shares of the Americans in the Philippines and the British in Malaya, with 60 and 70 per cent respectively. Of some US\$4,370 million capital investments made into the whole of SEA, more than half were in the NEI. The annual transfers of dividends from these investments, as well as the remittances of company profits in the Indies, were a significant element of the prosperity and employment of The Netherlands.⁴⁵

With regard to France and her relations with overseas colonies, General de Gaulle pronounced in August 1946 that 'United with the overseas territories ... , France is a great power. Without these territories she would be in danger of no longer being one.'⁴⁶ To most Frenchmen, 'there existed *an indissoluble link* (italic in origin) between the metropole and the Colonies'.⁴⁷ Indeed, 'the colonies formed an integral part of the French Empire'.⁴⁸ However, although Indochina was 'the most important, developed, and prosperous of the French colonies',⁴⁹ the economic implication for France of relations with Indochina might not have been so significant as that for the Netherlands with the NEI, for the scale of economic activity in Indochina was much smaller and there was less variety of natural resources. Nevertheless, the economic relationship between the two countries, in fact, provided the most extreme example of a colonial economy completely dominated by the metropole: Indochina's economic development was 'almost

⁴⁵ Pluvier, *op.cit.*, pp. 42-4; Hall, *op.cit.*, pp. 789-803. Pluvier normally does not indicate the origins of his sources. Here he did not indicate which year and which source was used for these figures. However, through the context it is figured as about the 1930s.

⁴⁶ E.J. Hammer, 'The Struggle for Indochina, 1940-1955' (Stanford, 1966), in E. Colbert (ed.), *Southeast Asia in International Politics 1941-1956* (Ithaca, 1977), p. 205.

⁴⁷ Louis, *op.cit.*, p. 27.

⁴⁸ Pluvier, *op.cit.*, p. 43.

exclusively' dependent on French capital and on French enterprises, while foreign penetration into Indochina, whether Western or Eastern, was systematically resisted through high tariffs.⁵⁰

During the war, the European metropolitan governments announced the future prospect of the transfer of powers to their colonies in SEA. This was mainly designed to obtain cooperation for their war efforts. With regard to Burma, it had been stated in the British Parliament on 22 April 1943 that as soon as circumstances permitted the country would be assisted in its transition to self-government. The Dutch stated in December 1942 that the NEI would attain 'complete self-reliance and freedom of conduct' regarding its internal affairs within a commonwealth. The French also promised the Indochinese, in March 1945, a certain degree of freedom of action within a French Union.⁵¹ However, during the re-occupation period it became apparent that the Dutch and French did not understand the depth of the changes that had taken place in their colonies during the war and the Japanese occupation, as they refused to accept the presence of the nationalists in spite of them having thoroughly consolidated their positions during the interregnum. This lack of a perception of the reality further complicated the tasks of the SEAC in the area.

The fundamental problem regarding the future of the colonial areas was the difference in attitudes between the metropolises and the colonies towards the timing of independence. The Asians wanted immediate independence without re-establishing the *status quo ante*, but the British and other European metropolitan countries believed that

⁴⁹ Louis, *op.cit.*, p. 39. The original statement comes from Albert Sarraut, a hard-line French colonial statesman, which was quoted by Geoffrey Hudson of the British FO's Research Department during the wartime.

⁵⁰ Pluvier, *op.cit.*, pp. 42-3.

⁵¹ The March statement by De Gaulle government however, only reflected the strong imperialist sentiment of some section of the French government: Stockwell, 'Southeast Asia in War and Peace', pp. 16-18.

‘political change could come only after the imperial powers had returned in force and re-established their control’.⁵²

While the British government was anxious to establish a close and firm relationship with its European allies, Mountbatten and the SEAC were struggling to implement the directives given to them. In any case, they were well aware of the potential effects of the actions taken in the NEI and French Indochina by the SEAC, both on Britain’s own colonies, and on their European allies as well as the USA. As a result, the British were juggling the immediate problems they faced in implementing the directives and these long term considerations.⁵³

Of the areas for which the SEAC was responsible, French Indochina had caused the most controversy between Britain and the USA throughout the war because of Roosevelt’s genuine dislike of French imperialism — once he remarked that, ‘Anything must be better than to live under French colonial rule!’⁵⁴ This anti-French sentiment formed the basis of US policy towards Indochina during the war. The President strongly believed that Indochina, and other French colonies should not be restored to France after the war, but administered by an international trusteeship. However, shortly before his death he reluctantly agreed to return Indochina to French authority.⁵⁵ Truman and the US State Department toned down their opposition to the restoration of the French in Indochina.⁵⁶ Yet the suspicions of the Americans toward the French and other European colonial powers remained.

⁵² Dennis, *op.cit.*, p. 19.

⁵³ *ibid.*, p. 228.

⁵⁴ E. Roosevelt, ‘As He Saw it’, p. 115, in Louis, *op.cit.*, p. 27.

⁵⁵ Memorandum by Taussig, 15 Mar. 1945, Taussig Papers; Foreign Relations: United Nations, pp. 121-4, cited in Louis, *op.cit.*, p. 486. Roosevelt said to Taussig, one of his advisers, ‘if we can get the proper pledge from France to assume for herself the obligations of a trustee, then I would agree to France retaining these colonies with the proviso that independence was the ultimate goal’.

⁵⁶ For more details, see Louis, *op.cit.*, p. 552. According to Stockwell, the moderation of American anti-colonialism owed much to the fact that the Americans increasingly appreciated ‘the stable order of

The work of the SEAC was impeded by the lack of sufficient troops due to the pressures from home to demobilise troops who were urgently required for domestic reconstruction. In essence, the war against Japan never gained the same degree of support in Britain compared to the war against the Axis powers. In addition, as the war had already ended in Europe, the newly elected Attlee government could neither guarantee 'an even greater involvement for purely British forces' in SEA, nor prolong military service in order to install the Dutch and French colonial governments 'whose acceptability ... was very much in question' among the British.⁵⁷

Direct American assistance for the operation of the SEAC was, however, out of question, because although the SEAC remained an inter-allied command, the extent of US involvement was for the USA alone to decide, and after having handed over SEA to the SEAC, the USA had every political reason to remain aloof. The British were, of course, more than willing to share the burdens of the post-surrender period with their European allies, given their own lack of resources and troops. However, the problem was that, firstly, none had trained and equipped troops readily available, while logistical complications promised to delay the deployment of their military forces further. Secondly, using French and Dutch troops, who were heavily reliant on US equipment and training facilities, might have brought strong objection from the Americans, irritated by the use of their resources to suppress independent movements across the region. The British were thus afraid that this in turn might affect the operations of the SEAC under the assistance of Lend-Lease. Thirdly, if the French and Dutch troops re-entered with the SEAC, there would be an enhanced risk of SEAC forces meeting active resistance from

colonialism' over 'the restitution of potentially fragile nation-states', in addition to the considerations on their strategic, political and commercial interest. The French also compromised their strong imperialist inclination by allowing Indochina some form of 'internal autonomy within the French Union': Stockwell, 'Southeast Asia in War and Peace', pp. 15-18.

⁵⁷ Dennis, *op.cit.*, p. 17-19.

local populations.⁵⁸ Soon it was found out that the British were accurate in that assessment, for the provocative and undisciplined behaviour of French forces and civilians alike led to Vietnamese counter-actions, and so did the 'trigger happy' behaviour of the Dutch in the NEI.⁵⁹

Despite the efforts made by the Supreme Allied Commander to limit the scope of the SEAC's task strictly to the directives and away from direct confrontation with indigenous revolutionary forces, clashes with the nationalists were foreseeable from the very beginning. A good example of the conflicts to come was the military confrontation between SEAC's forces and the Indonesian nationalists at Surabaya at the end of October 1945. The fundamental problem with the task of the SEAC arose from the directives and the vagueness of the terms of engagement, which were subject to interpretation. Indeed, the confusion upon the directives was exacerbated by the failure of the FO and WO to do any detailed plans for the Dutch and French territories.⁶⁰ There were no misgivings regarding disarming the Japanese and repatriating the POWs and internees, but with regard to the commitment 'to establish and maintain peaceful conditions preparatory to handing over the territories to their respective civil governments' was problematic because it was difficult to distinguish between maintaining law and order to accomplish the primary tasks, and maintaining them pending the arrival of the Dutch and French colonial governments.⁶¹ Be this as it may, reoccupation of the French Indochina proceeded relatively smoothly under Gracey, who later on admitted that he 'inevitably provided considerable assistance to the political aims of French' in liberated French Indochina.⁶²

⁵⁸ *ibid.*, pp. 8, 19-23.

⁵⁹ *ibid.*, pp. 48, 142.

⁶⁰ *ibid.*, p. 100.

⁶¹ *ibid.*, p. 44.

⁶² *ibid.*, p. 169.

However, the nature of the SEAC's work in the NEI was more complex. On 17 August 1945, the Indonesian Republicans proclaimed their independence and their forces maintained *de facto* control of key areas of Java. It then followed that without the assistance of nationalists it was impossible for the SEAC to release the POWs and internees. Despite the Dutch plea to the British government not to recognise the Indonesian government, Mountbatten was convinced that it was unrealistic to exclude the Indonesians from discussions on the political future of the country. Moreover, he felt strongly that it was essential for the Dutch to begin talks with the nationalist leaders and to pronounce immediately their future intentions with regard to some degree of independence for the NEI. Mountbatten was assisted by his Political Adviser, Esler Dening, in ensuring the necessary combination of military action and political negotiation. After Surabaya the British government was more convinced about the need for working on political ground as a way of extricating itself from commitments in the NEI.⁶³

Towards the end of the SEAC's period of authority, Britain wanted to withdraw from the NEI and French Indochina as soon as possible. The British still believed in the advantages of restoring the metropolises, even though in French Indochina the war with the Vietnamese was completely exhausting the French economy and European recovery was impossible without a healthy France. This was because Indochina was the place most vulnerable to Communist infiltration due to support among the Vietnamese for Ho Chi Minh and, at a later stage, the backing from Communist China. Restoring French authority in Indochina was therefore seen as absolutely crucial by the non-Communist part of the world.

⁶³ *ibid.*, pp. 82-160.

Behind all these efforts to restore the pre-war *status quo*, lay a strong sympathy among the British people, both the citizens and leadership, towards the Southeast Asian countries for their sufferings during and after the war. In addition, there was also a deep understanding of the genuine wish of the people for independence. It appeared that the only practical way to deal with the chaotic post-war situation in the region was a return of the colonial powers to their territories. Britain could not afford to be idealistic about SEA, for the security of the region bore directly on her own political, strategic and commercial interests. Although the directives given to Mountbatten did not specify SEAC's role as restoring the European colonial powers to their own colonies, they did aim at establishing law and order so that the colonial powers could resume their own authority in the colonies. After the SEAC had accomplished its task it was entirely up to the metropolises to choose which model of political development they opted for. The difficulties attending this task lay in the fact that the Dutch and French refused to adapt to the new post-war reality that the Japanese occupation brought to the Asians, who had become more politically aware, and instead insisted on a resumption of their pre-war authorities. The SEAC, by contrast, demanded from its allies a recognition of the substantial power of the nationalist movements, which were most outstandingly exemplified by the Viet Minh in Indochina, and the Republic of Indonesia under Sukarno. Paradoxically, while the vagueness of the directives brought a great deal of confusion among the commanders of the SEAC, the British Treasury willingly took up the expenses incurred on the re-establishment of Dutch and French administrations in their respective colonies.⁶⁴

⁶⁴ Donnison, *op.cit.*, p. 235. Under the financial agreement between the British and Dutch governments on 20 December 1945, the whole cost of military government in Indonesia was to be borne by the Dutch. However, the British military operations in Indonesia, in order to re-establish the Dutch administration, whether those of the combatant forces or of the forces engaged in the revival of the public services, were not borne by the Dutch under the agreement. Donnison described the amount involved with re-

1.3.2 Cooperation with the United States of America

From early on the FO reluctantly conceded that the early and full support of the USA would be essential to British security in the Far East.⁶⁵ Yet the USA was not prepared to assist them, for the interests of the USA were largely concentrated on Japan, and to a lesser degree on Siam and the Philippines. In retrospect, the USA directly intervened only in one place and on one occasion: in the war between the Dutch and the native Indonesians after the second police action in 1948. Apart from the acquisition of the Philippines in 1899 after the Spanish-American War, US interests in this region were limited before the Pacific War. There were some American businesses and missions that had become important to the livelihoods of some Asiatic peoples. Even so, in comparison with American investments in China, Japan, or the Philippines, those in the rest of SEA were not so substantial: they were somewhat larger in Indonesia and Malaya than in Burma, Siam and Indochina where American investments were negligible. Missionaries were sent to China, Japan, Korea, the Philippines, Malaya, Siam, Burma, and India, but almost none to Indonesia.⁶⁶ In 1935 after the granting of Commonwealth status to the Philippines, the USA started a process of further reducing its responsibilities in Asia. Before the Pacific War, Japanese penetration into Indochina and the NEI was concerning the USA; however its action was conditioned by technical American neutrality.⁶⁷

establishment of Dutch administration as 'a considerable part of the general cost of the operations as incurred on military government'; the total cost of these up to 31 March 1946 was very roughly £8,000,000, in addition to the cost incurred on re-establishing administration in French Indochina.

⁶⁵ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, Part. IV.

⁶⁶ K.S. Latourette, *The American Record in the Far East, 1945-1951* (New York, 1952), pp. 11, 55-56. The natural resources, mainly petroleum, tin and rubber, of Indonesia and Malaya attracted investments from the US.

⁶⁷ R.H. Fifield, *Southeast Asia in United States Policy* (New York, Washington, London, 1967), p. 15.

During the Pacific War the USA had made no careful plans for the future of SEA.⁶⁸ Understandably, the absence of post-war US blueprints for the region reflected a belief that the primary responsibility for the territories of the European powers lay with these powers themselves. Though fundamentally opposed, the return of colonial possessions to their colonial powers eventually came to be taken for granted among US decision makers.⁶⁹ Immediately after the war, the USA did not perceive any direct threat to the region's security: Japan had already been disarmed, China was still ruled by a friendly power, and the Soviet Union was still in no position to advance toward SEA. As the Cold War was deepening in Europe, American attention was naturally focused on containment of the Soviet Union; for if war with the Soviet Union erupted Europe was the most vulnerable place.⁷⁰ Awarding the lion's share of American resources to Europe in the late 1940s clearly showed that the USA considered Europe to be the most significant area in its foreign policy strategy. It was common, not only in the Pentagon but also within the Administration, to believe that 'the most vulnerable side of our defensive area will be in the Atlantic'.⁷¹

Meanwhile the political situation in Asia deteriorated. In particular, 1947 and 1948 saw the outbreak of hostilities by the local Communists in various Asian countries. As Soviet activities were not developing on any formidable scale in SEA, the British were not greatly concerned to counter them directly, but the local Communist parties, who were 'growing in strength', presented 'a direct, if only potential menace to security

⁶⁸ *ibid.*, p. 16.

⁶⁹ Washington's concern with the economic, political and social security of Western Europe contributed to the decision to support the return of the European colonial powers to their Southeast Asian possessions. The USA did not regard SEA as important to its own interests. US rhetoric about decolonisation (which it supported) was therefore, quite different from what it did in practice: which was to support the return of the Europeans who were to promise eventual self-government, and to establish US military bases in the Pacific.

⁷⁰ Fifield, *op.cit.*, p. 16.

in the Far East'.⁷² The civil war between the Nationalists and the Communists in China was escalating, colouring all other incidents in the Southeast Asian countries. Meanwhile, negotiations between the French and Ho Chi Minh in Indochina broke off, as they did between the Filipino government and the Communist forces. In 1948, Communist revolts broke out in Malaya, Indonesia, and Burma. Siam was now the only country in SEA that was not subjected to any armed insurrection by Communists.⁷³

The USA's *laissez-faire* attitude towards SEA often brought severe criticism not only from the European powers and the colonies but also within the USA itself, particularly inside the US State Department. However, the problem with the State Department was that it consisted of numerous divisions and offices for different purposes, and their interests were not necessarily compatible. For instance the fate of the Asian document 'US Policy Toward SEA', designated 'PPS-51', prepared by the State Department's Policy Planning Staff immediately after the adoption of the US policy paper on China on 3 March 1949, clearly indicates the conflicting interests among them.⁷⁴ To be fair, the paper shows that the State Department had a better understanding of the world political situation than most others working in the polity of the USA. Especially important here was the attention that the Department drew to the danger of the Kremlin's encroachment in SEA. It also noted the region's abundance of raw materials and its geographical significance 'as a crossroads in east-west and north-south global communication'.⁷⁵ However whilst the Bureau of European Affairs of the Department of State was generally in a stronger position, the Bureau of Far Eastern

⁷¹ L.J. Foltos, 'The New Pacific Barrier: America's Search for Security in the Pacific, 1945-47', *Diplomatic History*, vol. 13, no. 3, Summer 1989, p. 341.

⁷² PRO FO 371 63520 F9979/90/61 Lord Killearn, Singapore, to the FO, 15 July 1947.

⁷³ Fifield, *op.cit.*, p. 17-18.

⁷⁴ R.M. Blum, *Drawing the Line: The Origin of the American Containment Policy in East Asia* (New York and London, 1982), p. 104.

Affairs of the Department had no input concerning the status of the paper. In the end this document became a non-policy paper, a mere source of information, and it was not until the 1949-50 winter, after the Communist victory in China, that the paper was reviewed again.⁷⁶

Under these circumstances, Britain seldom succeeded in obtaining whole-hearted cooperation as distinct from some sympathy. Nevertheless, it would be wrong to attribute the lack of US interest in SEA to ignorance or a lack of understanding by the Administration of Asiatic affairs, as was often suggested by the British. It was rather that the agenda the USA pursued in Asia was different from that which the UK pursued; for instance, Americans wanted to promote the Philippines as an example to the emerging states of SEA, while the British were doubtful about the prospects for any significant development of the Philippines as a leader amongst the Southeast Asian countries, preferring to back India as leader of the whole South and Southeast Asian region.⁷⁷ This said, US judgements on the Asians' thoughts were often rash, mainly due to lack of experience in this part of world. For example, the Americans sincerely believed that there was a strong pro-American sentiment among the Asians,⁷⁸ and thus they had a strong

⁷⁵ PRO FO 371 76025 F17668/10345/61G US Policy towards Southeast Asia: copy of a US Planning Staff Paper, 29 Mar. 1949, p. 7.

⁷⁶ Foreign Relations of the United States (FRUS) (1949), The Far East and Australia, vol. vii, part. 2, Policy Planning Staff Paper on United States Policy toward Southeast Asia, 29 Mar. 1949, pp. 1128-9; Blum, *op.cit.*, pp. 123-24. Reviewing 'PPS-51' was a response to US concerns about Communist activity in Asia, and at the same time was a recognition of the need to accommodate nationalism, but only 'moderate' nationalism which accepted US policy.

⁷⁷ PRO FO 371 76025 F7649/10345/61 minutes by R.H. Scott, 18 May 1949; FO 371 76025 F17668/10345/61G minutes by R.H. Scott, 24 Nov. 1949; FRUS (1949), The Far East and Australia, vol. vii, part. 2, Copy of a US Planning Staff Paper, 29 Mar. 1949, pp. 1128-33. R.H. Scott wrote (PRO FO 371 76025 F7649/10345/61 minutes by R.H. Scott, 18 May 1949), after hearing W.L. Holland, Secretary-General of the Institute of Pacific Relations, speak on American policy in the Far East, that there seemed to be much increased interest in India among the Americans and appreciation of the India as 'the only large area in Asia which might form a suitable anti-Communist base'. Stanton, the US Ambassador in Siam, also advised that the US Administration should consult regularly with India on Asian problems: FRUS (1950), East Asia and the Pacific, vol. vi, The Ambassador in Thailand (Stanton) to the Secretary of State, 27 Feb. 1950, p. 28.

⁷⁸ 'The US has had a good build-up in Japan. Pro-American feeling is very strong in Korea, is continuing in the Philippines, exists definitely in Indonesia and Thailand, is rather strong in Burma and

fear of losing this illusory advantage by giving grounds for the belief that they were trying to replace Western colonial power through a modification of imperialism, in the form of an economic imperialism.⁷⁹

Another factor was that US policy in SEA was torn between promoting the independence of colonies from their European masters and at the same time recognising the need not to undermine the fragile European allies. A further inconsistency in the US Southeast Asian policy lay in the fact that the Indonesian nationalists obtained relatively more sympathy from the USA mainly because of the relative absence of Communist involvement in their movement as compared to the Communist-led Indochinese nationalists. In effect, people in the USA stood cautiously aside until the deep division between capitalism and Communism became apparent and until they were more infused with Cold War thinking. When the armies of Communist China reached the borders of Burma, Laos and Vietnam, the USA could no longer stand aloof (though it was still too early for a full commitment⁸⁰). After all, it was only the fear of Communist encroachment in the region that drew the USA into SEA,⁸¹ otherwise Washington would have carried on considering Asia as a strategic backwater.⁸² This attitude explains the dilemma that the British encountered when trying to in their dealings with the USA in Asia:

is fairly considerable in Pakistan.' FRUS (1950), East Asia and the Pacific, vol. vi, memorandum of conversation by Charlton Ogburn, Policy Information Officer, Bureau of Far Eastern Affairs, Oral Report by Ambassador-At-Large Philip C. Jessup upon His Return from the East, 3 Apr. 1950, p. 72.

⁷⁹ FRUS (1950), East Asia and the Pacific, vol. vi, memorandum by the Officer in Charge of Economic Affairs, Office of Philippine and Southeast Asian Affairs (Shohan) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant), Washington, 16 Mar. 1950, p. 62.

⁸⁰ Yahuda shows the evaluation of US policy in terms of containment in Asia. According to him even the Communist take-over of China in October 1949 was 'not seen entirely within the prism of the Cold War and containment'. Regarding the perimeter defence published in January 1950, although Cold War rhetoric was much more evident, the document still showed lack of a vision in the American approach to Asia in terms of containment. He concludes that the adoption of NSC-68 in September 1950 was the key factor in the American strategy for containment by raising American defence expenditure 'from \$13.1 billion in 1950 to \$25 billion and then \$44.0 billion in 1951 and 1952 respectively.' M. Yahuda, *The International Politics of the Asia-Pacific, 1945-1995* (London and New York, 1996), p. 118-20.

⁸¹ Yahuda, *op.cit.*, pp. 127-8.

⁸² JCS, "Political and Pressures for Extension of US Aid to Foreign Nations," SWNCC 360/1, 29 Apr. 1947, FRUS, 1947 1:736-50, cited in Foltos, *op.cit.*, p. 341.

American policy in China may have been too narrowly conceived on account of inexperience and the treatment of Japan is an instance of the somewhat unimaginative tendency of the Americans to graft their own way of life on to rather improbable stock. Moreover, their insistence on restoring the Japanese low-cost economy on multilateral principles takes little account of British economic interests. But an American stake in the region is of great importance for the consolidation of Western influence.⁸³

Nevertheless, successive UK governments always had to struggle to earn the necessary cooperation and support from the USA in the region.

1.3.3 Expectations towards the Asian Countries and the Commonwealth

Apart from pressing the USA for more active intervention into Asian affairs in the post-war period, the Labour government hoped that the Commonwealth would assist Britain in Asia. During and after the Second World War, the Commonwealth was extremely cooperative. India, Australia, New Zealand, Canada and South Africa had assisted Britain throughout the war and after, in particular during the Indonesians' war with the Dutch, the Emergency in Malaya, and the Korean War. Their savings in the City, the so-called Sterling Balances, supported Britain, while Canada offered a loan.⁸⁴ Throughout the post-war period cooperation with the Commonwealth was clearly one of the major

⁸³ PRO FO 371 76386 W5573/3/500G P.U.S.C. (51) Final: Anglo-American Relations: Present and Future, produced by the Permanent Under-Secretary's Committee, Oct. 1949, p. 4.

⁸⁴ See PRO CO 1022 266 for the details of Commonwealth and Colonial troops sent to Malaya during the Emergency, and also see T 230 199 copy of The Colombo Plan for Co-operative Economic Development in South and South-East Asia, London, Oct. 1950, for the details of the generous support from Canada, Australia and New Zealand in the form of loans: Marshall Aid and gifts and of the

options chosen by the British FO to resolve problems in Asia. It was also taken for granted that Britain should call on Canada, Australia and New Zealand for help with the execution of any policy in the Pacific rather than demur, because the British government was concerned that lack of interest on the part of Britain in the Pacific might bring a result that would expose the Dominions to increased foreign influence. Britain made sure that whichever policy was adopted in the Far East it was broadly acceptable to the Commonwealth and the Dominions and that these countries were implicated, so that they all stayed within the British political and strategic ambit in Asia in one form or another.

The Labour leadership expected India to lead Asia, whether through a regional economic organisation or an organisation for collective security. Fifield explains that Britain appreciated India's size, population, natural resources and location, and relatively advanced industrialisation as the contributing factors to its leadership of neighbouring areas.⁸⁵ Furthermore, the Southeast Asian countries themselves were aware of the significant role of New Delhi as a centre of non-Communist influence in Asia, and without it, it might be impossible for them to remain outside the expanding area of Communist subversion.⁸⁶ The British were well aware of the unpopularity of India, and the fear of Indian expansionism, among countries in the region. This contributed to their reluctance to accept India as their leader.⁸⁷ For instance, Pakistan could not accept Indian leadership due to their conflicting interests in Kashmir, while Siam also would not be pleased to see its neighbour becoming too strong, as they shared a common border. In addition, the British themselves feared India's ambition to supersede British influence in

accumulation of sterling balances by various countries made the rehabilitation work in the Sterling area possible, though the immediate responsibility was upon the UK.

⁸⁵ Fifield, *op.cit.*, p. 359. The Indian Army of a quarter of a million men which was the foundation of British imperial role, was also one of the contributing factors to the British expectation towards India: A. Bullock, *Ernest Bevin: Foreign Secretary 1945-1951* (Oxford, 1985), p. 31.

⁸⁶ Fifield, *op.cit.*, p. 362.

the region. The Labour leadership thus listened carefully to the opinions of Indians on Asiatic affairs and examined them thoroughly, a process that was, on occasion, reflected in policy.⁸⁸

Japan offered an alternative model of leadership to SEA. She was apparently the strongest power in Asia, but such a leading role for Japan was deemed to be inappropriate because of her historical relations with other Asian countries. In any case, this option was not in Britain's favour because of the strong US influence in post-war Japan. The FO concluded that from the Persian Gulf to the China Sea there was no single power capable of bringing about unity and cooperation throughout the region.⁸⁹

At the furthest geographical limit lay Australia. Britain hoped the Australians would be more active in Asian affairs as a regional power. However, Australia could not be a genuine Asian country despite its geographical proximity because it was white-dominated and dependent on the USA for trade and defence. Yet Britain pressed Australia to take up some aspects of British responsibilities, mainly in the Far East, which Australia willingly did because of her ambition to be an Asian power. For instance, it was Britain that insisted on the representation of Australia in the Japanese surrender ceremony and armistice negotiations.⁹⁰ Australia also participated in international conferences on Korean affairs on behalf of Britain, and later was to be the trustee of Korea, although this never materialised.

⁸⁷ PRO FO 371 76030 F17397/1055/61G PUSC (53) Final Approved. Regional Co-operation in South-East Asia and the Far East by Permanent Under-Secretary's Committee, 20 Aug. 1949.

⁸⁸ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945. In fact, without India's agreement it would not have been possible to establish US forces and bases in various parts of Asia. India also had a big role in the British giving recognition to Communist China.

⁸⁹ PRO FO 371 76030 F17397/1055/61G PUSC (53) Final Approved. Regional Co-operation in South-east Asia and the Far East by Permanent Under-Secretary's Committee, 20 Aug. 1949.

⁹⁰ *The Times*, 4 Aug. 1945.

Anita Singh describes the British colonies and the Commonwealth as a mere springboard for Britain's post-war economic recovery.⁹¹ On the one hand he was right that the Commonwealth reduced Britain's burden by taking up a share of its responsibilities in Asia. Britain maintained a desire to remain a world power while revenues from the domestic economy alone could not maintain her excessive commitments abroad, but with the abundant resources of the Commonwealth, she need not be subservient to the USA or the Soviet Union.⁹² Britain together with the Commonwealth, could serve as an independent unit in world politics, standing apart from the USA and the Soviet Union. However, Singh's interpretation is obviously limited by his inability to explain the open-ended support of the Commonwealth during and after the Second World War. Britain took up the dollar deficit of the Commonwealth and suffered together with it while her own dollar gap was improving. Nonetheless, the only nation powerful and resourceful enough to take on Britain's burden in this region was the USA.

1.3.4 Cooperation Between the United Kingdom, the United States of America and the Soviet Union

Last but not least, cooperation between the UK, the USA and the Soviet Union was sought, for these powers and their activities were the key to peace. The pursuit of such a cooperative strategy seemed to be the natural thing to do in Asia, as in Europe, in 1946.

⁹¹ A.I. Singh, *The Limits of British Influence; South Asia and the Anglo-American Relationship 1947-56* (London and New York, 1993), p. 39; N.J. White, *Business, Government and the End of Empire: Malaya 1942-1957* (Oxford, 1996), p. 5. Singh emphasised Imperial Preferences as considerable value to the British economy and the Commonwealth role in Britain's trade in general as Europe handled only 25 per cent of British trade in September 1947, whereas the Empire between 1946 and 1949 accounted for 48 per cent of Britain's imports and 57.5 per cent of her exports: the percentage of the imperial proportion of trade between 1946 and 1949 is from B. Porter, 'The Lion's Share: A Short History of British Imperialism, 1850-1983' (London, 1984), p. 320, in White, *op.cit.*, p. 20.

⁹² PRO CAB 129 23 C.P.(48) memo by Bevin, 4 Jan. 1948.

However, the hope of cooperation with the Soviet Union did not blind the Labour government. While there was little concrete evidence of any determined Soviet intervention, it was understood that it loomed in the background.⁹³ From the beginning an obstacle was foreseen as the Soviets continued to severely criticise British efforts to reinstate colonial powers in SEA, and the Soviet Union's own economic and political interests in the region were by no means compatible with those of the British. The British government was also enormously concerned about the growing activities of regional Communist parties around and within SEA, whether with or without the backing of the Soviets. An even worse impediment to such a strategy was the presence of the USA whose every step in Asia provoked the Soviets. The FO perceived that:

... as elsewhere, the degree to which international co-operation will become a reality depends largely on the attitude taken up by the U.S.S.R., which in turn will tend to react decisively upon that of the United States.⁹⁴

Apparently then, there was to be no peace in Asia without cooperation from the USA and the Soviet Union. Britain had hoped to act as a mediator in Asia not only between the native peoples and the Western colonial powers, but also between the USA and the Soviet Union, in order to minimise friction among them until the UNO could perform its purpose. As mentioned above, the British desire to obtain cooperation from two other powers in the region was related to a distinctive approach to Asian affairs: that the Asian countries should be viewed in a world perspective, in particular 'in the light of our relations with the United States and the U.S.S.R.'. ⁹⁵ However, it is not certain how far the British expected to achieve success in implementing a policy based upon this

⁹³ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945.

framework of operation, or whether they sincerely believed that any form of cooperation with the Soviet Union was at all feasible given the deepening of the Cold War and its profound global and regional implications.

Conclusion

According to the assessment made in this chapter, the value and significance of SEA for the British national interest was directly related to Britain's economic interests, to the security of the British Empire and the Commonwealth, and to her ambition to remain as the influential power in SEA in the post-war period. The British strongly believed that the restoration of the European colonialism, redressed by progressive reconstitution, was a prerequisite for the establishment of some form of stability in post-war SEA. This task was undertaken by the SEAC. The SEAC had in fact a dual function of guaranteeing British interests, while liberating the region. What limited their actions in this respect was Britain's lack of resources, combined with the urgent need for demobilisation, and the uncompromising nature of both Asian nationalism and the European colonialism. Throughout the Attlee period cooperation with various other powers was sought, on the one hand, as a way to keep the region secure and stable particularly in the face of increasing Communist activities through local Communist parties, but on the other to offset her lack of resources to implement all necessary economic and political measures and also to obtain compromises from the diverse parties with interests in the region. Britain's ambition to preserve her interests and to maintain influence provided an incentive to establish bedrocks of the subsequent regional organisation, and also to seek out the basis for regional cooperation. The importance of these factors is elaborated in

⁹⁴ *ibid.*, p. 60.

⁹⁵ *ibid.*, pp. 52-54. The quote is from p. 53.

the next chapter, as are the processes that underpinned government and business relations in post-war Malaya. An understanding of these matters, in turn, provides the basis for an understanding of the relationship between government and business in post-war SEA.

Chapter 2 Regional Policy-Making and Business/Government Relations

The strategic, political, and economic significance of SEA to the British national interest increased in the post-war period. The Pacific War proved the region's strategic importance to the defence of the British Commonwealth and the Dominions in the area. SEA, the main producer of strategic materials such as rubber and tin, would also continue to be the major dollar source for the war-stricken European metropolitan governments. In the post-war period, while the independence of India was imminent, the British government was 'hoping to use Singapore as the "centre for the radiation of British influence" in the region'.¹ Britain's involvement with the liberation of the region under the SEAC enabled her to restore her pre-war hegemony in the region, and during the period of Attlee government, Britain continuously struggled to maintain this position by seeking regional cooperation with the European colonial powers, Asiatic countries and the British Commonwealth.

Chapter 2 is concerned with the process of regional policy-making in Britain and SEA. First, the roles of the CO and the FO are examined. At the regional level, there were the Malayan government, the Governor-General and the Special Commissioner. The offices of the Governor-General and the Special Commissioner were created to allow the British government to reconcile the activities of British as well as non-British representatives in the region with its regional policy.

An examination of the process of regional policy-making in Whitehall and in SEA inevitably leads to an explanation of 'Regional Cooperation' as the nucleus of British policy in South Asia in general and SEA in particular after the war. The role of Mountbatten's SEAC, Killearn's role as the Special Commissioner, Malcom MacDonald's operations as the Governor-General (later the Commissioner-General,

South East Asia, after the Special Commission was integrated into his office), and the formulation of the Colombo Plan are studied within the context of regional cooperation.

This chapter also undertakes an examination of the culture and processes of government/business relations. As the business interests of British private firms in SEA were directly related to British national economic and financial interests in the region, the relationship between government and business should be understood not only as a series of attempts by each to influence the other, but also as the means by which British national interests were advanced and policies implemented in the region.

2.1 The Process of Regional Policy-Making

2.1.1 The Metropole: the Colonial Office and the Foreign Office

In the process of regional policy-making on SEA, the ministerial committees of the Cabinet and the Cabinet itself were most important in the design of policy.² However, the issues that went up to ministerial and Cabinet level were few, and the civil servants of the CO and the FO primarily handled the rest.

As the CO was responsible for the colonies and Dependencies in Asia, incoming correspondence from Malaya, for instance, was first seen by the civil servants of the CO, usually by the Malayan desk of the Eastern Department, which dealt with most of routine issues concerning Malaya. Among the issues raised, a few were taken up to the inter-departmental committees and the Cabinet by officials of Assistant Secretary rank and upwards, who also consulted directly with the Governor, the High Commissioner of the

¹ Remme, *op.cit.*, p. 11.

² A.J. Stockwell (ed.), *British Documents on the End of Empire, Malaya, Part 1: The Malayan Union Experiment, 1942-1948* (London, 1995), pp. xlv-xlvi. Yet the function of Parliament as where policy was discussed and shaped should not be ignored, as Stockwell pointed out (pp. xlvi-xlvii).

Federation of Malaya and, the Chief Secretary of the Malayan government, and the Governor-General.³

Although dealing with Malayan affairs was primarily the CO's responsibility, other government Departments could not be excluded, because colonial policy towards Malaya was clearly entwined with Britain's foreign, defence and economic policies in Asia. Since the CO was only a middle-ranking department in Whitehall, more prestigious departments of state often felt that matters closely related to Britain's own national interest to be too significant to be left in its hands. Therefore, the issues regarding Malaya's dollar earning, rehabilitation work and subsequent post-war development plans, and the counter-insurgency attracted the attention of the Prime Minister, Clement Attlee; the Foreign Secretary, Ernest Bevin; the Chancellors of the Exchequer, Hugh Dalton and Stafford Cripps; the Minister of Defence, Emmanuel Shinwell; the Secretary of State for War, John Strachey, etc.⁴

By contrast with the CO, which had taken the initiative in post-war planning in SEA immediately after the fall of Singapore in February 1942, the FO 'had done hardly any planning work on the future of East and South-East Asia'. In fact, the Premier and the Foreign Secretary of the War Cabinet, Churchill and Eden, had 'tended to neglect Far Eastern questions in favour of those concerning Europe'.⁵ It was J.C. Sterndale Bennett, the newly appointed head of the Far Eastern Department of the FO in June 1945, who drew attention to the fact that there was virtually no machinery for Far East planning in the FO. He also pointed to the lack of inter-departmental coordination, particularly

³ *ibid.*, pp. xlii-xliii. According to Stockwell, the Secretaries of States for the Colonies made approaches to the Cabinet with respect to constitutional changes, the Emergency, the appointments of Gurney and Templer as High Commissioner, the reorganisation of Malayan administration in 1951-1952, and the conduct of constitutional talks in 1955-1957. Also for the evolution of the Eastern Department, see p. xxxii.

⁴ *ibid.*, pp. xliii-xlv.

⁵ Remme, *op.cit.*, pp. 21-2.

between the India Office, the Burma Office and the CO on the one hand, and the FO on the other, regarding the fundamental problems of British foreign and colonial policies in the area and he pledged to make a major effort to rectify such deficiencies.⁶ As a result of his successful initiative, the Far Eastern Department secured additional staff, and was subdivided into three specialised sections dealing with Japan and the Pacific, China and SEA respectively; the South East Asia Department grew out of the third of these sections.⁷

Within a few weeks (26 June 1945) of Sterndale Bennett's pledge, another Far Eastern expert, Esler Dening, wrote a memorandum urging political coordination in SEA. Rooted in his personal antagonism towards Mountbatten, which was to become more overt at the beginning of 1946,⁸ Dening pointed out that the failure of British defence in the Far East had been mainly due to the fact that India, Ceylon, Burma and Malaya had been pre-occupied with their own internal problems, and were thus largely unfamiliar with each other's problems as well as those of the non-British territories in the area, such as Siam, Indochina, the NEI, the Philippines, China and Japan. To rectify this deficiency, he suggested that there should be a central authority in the periphery which could report directly to the Cabinet and would coordinate 'the views and the needs of all the British territories involved and to relate these with developments in other non-British territories'.⁹

⁶ PRO FO 371 46328 F3943/149/61 memo by Sterndale Bennett, 8 June 1945, cited in Remme, *op.cit.*, p. 22 and Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, p. 47. Sterndale Bennett criticised with the continuous tendency to watertight compartments. For instance, 'Plans for the future of Burma, Malaya and Hong Kong are prepared without Foreign Office participation, though they may affect, and be affected by, developments in territories which are the concern of the Foreign Office.'

⁷ Remme, *op.cit.*, pp. 22-3.

⁸ For the details of the friction between them, see Dennis, *op.cit.*, pp. 184-187.

⁹ PRO CO 273/677/3 no 5 Political Co-ordination in South-East Asia: memorandum by M.E. Dening, 26 June 1945. He also suggested that the central authority be appointed either through the detachment of the office of political adviser from the SAC's staff and giving him an independent responsibility to London, or alternatively through an appointment of a Minister of State for Southeast Asia. When Sir Archibald Clark Kerr was appointed to handle negotiations between the Dutch and the Indonesians,

2.1.2 The Process of Regional Policy-Making in the Periphery

As we have seen in Chapter 1, Britain's major interests in SEA arose out of her relations with the colonial Dependencies. Among these, Malaya was the most significant because of her political relations with Britain, and her strategic and economic value to British national interest. Thus, the centre of British regional policy-making in the periphery was Malaya and its government. Stockwell points out that in order to examine policy-making at the regional level, we need first to deal with the government of Malaya, its position in the region as 'the base of British power in a region of contiguous Great Power rivalries', and its relations with the metropolitan authorities.¹⁰

2.1.2.1 The British Territories: The Malayan Government

Pre-war Malaya was divided into three different administrative areas. The Straits Settlements (Singapore, Penang, Malacca) were the British colonies under the direct rule of the British Governor, while nine other states were protected states by virtue of Treaties and Agreements with Britain. Among them, Negri Sembilan, Pahang, Perak, and Selangor comprised the Federated Malay States in 1896, in which the Governor of the Straits Settlements acted as the High Commissioner. The remaining five states refused to enter the federation in order to keep the authority of their rulers, though they accepted British Advisers, and together formed the Unfederated Malay States (Johore, Kedah, Kelantan, Trengganu and Perlis in Malaya, together with Brunei in Borneo). The Advisers operated under the general direction of the Governor of the Straits Settlements as the High Commissioner, and were involved in all matters of general administration of

immediately followed by the appointment of the Special Commissioner, Dening was only to be disappointed: see Dennis, *op.cit.*, pp. 184-88.

the states except religion and custom.¹¹ In any case, these states, whether federated or unfederated, retained their sovereignty. As a result, Malaya was governed by the system of both direct and indirect rule, and there was a clear difference between the system of indirect rule, as applied to the states within the federation, and to those outside the federation.¹² Under such circumstances there was little consistency within the administrative structure in Malaya.

In the pre-war period Britain had attempted to re-structure the Malayan administration, first, through incorporating the five Unfederated Malay States into the federation, and then through decentralisation of the Federated Malay States. The objective of this administrative structure was to attain a certain uniformity, but this was not achieved.¹³ The Japanese occupation in February 1942 actually provided an opportunity for the British to re-structure and rationalise the Malayan administration, and thus to eliminate the pre-war inefficiency that was believed to have hampered the economic and social development of the country. Establishing a strong and unified administration in Malaya was regarded as vital in the post-war period because of Malaya's strategic importance and the prospect of self-government.¹⁴

Post-war planning for Malaya began early in 1943. The CO took the initiative to create an informal CO-WO Malayan Planning Committee in February and this subsequently led to the formation of the Malayan Planning Unit (MPU) in July 1943. Under the auspices of the Planning Unit, the British Military Administration for Malaya and constitutional changes in Malaya as well as Singapore, Sarawak, and North Borneo

¹⁰ Stockwell, *Malaya, Part I*, p. xlvii; Stockwell, 'Southeast Asia in War and Peace', pp. 25-27, and the quote is from p. 26.

¹¹ Donnison, *op.cit.*, p. 136.

¹² Pluvier, *op.cit.*, p. 13.

¹³ Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, pp. 17-8, and Pluvier, *op.cit.*, pp. 12-3.

¹⁴ Donnison, *op.cit.*, p. 136.

were conceived. By March 1944 the War Cabinet Committee on Malaya and Borneo had approved the general lines of policy regarding the Malayan Union, and on 31 May 1944, the War Cabinet gave its endorsement.¹⁵

Since the main aim of post-war planning for Malaya was to establish a strong central government in the country, it was 'of the greatest importance that the Military Administration should not do anything to re-establish, or even to give cause to think that they were re-establishing, the pre-war form of government'. In any case, the character of a military administration perfectly fitted the post-war plan for Malaya, for 'it was the essence of military administration that it should be direct and unified'. Since Mountbatten encouraged the people of the country to associate themselves 'to the fullest extent possible with the machinery of government', the Military Administration gave the Malaysians experience of a unified central administration of a kind, though still under decentralised administrative structure, as to some extent the Japanese Malay Military Administration had been.¹⁶

The essence of the Malayan Union constitution 'to provide for integration and for defence, and to give legal status to non-Malays' was borne out of necessity.¹⁷ Under the pre-war constitutional and administrative system, the British government had no jurisdiction in the Malay states where the rulers of the states remained nominally independent as sovereign powers. In order to achieve the objectives of the constitution, the Union should, first, break with the past administrative structure; fresh treaties should be made with each of the rulers to transfer their powers to the central government, and so all State and Settlement properties and revenues, with the exception of those related to the Sultans' prestige as the leaders of their Malay subjects and protectors of their

¹⁵ *ibid.*, pp. 137-39. On 31 May, the War Cabinet gave provisional approval to the policy in Malaya and Borneo, then on 3 September 1945 the Cabinet approved the policy as outlined previously.

religion.¹⁸ Sir Harold MacMichael was sent out to Malaya, where he was assisted by the BMA to 'prepare the way and make routine arrangements for his mission', to obtain the required surrender of sovereignty of each state to enable the British government to pass the necessary constitutional legislation.¹⁹ In addition, a common citizenship scheme for all who regarded Malaya as home would be applied to unify the plural society.

The Malayan Union would comprise all the Malay states including the Settlements of Penang and Malacca, but excluding Singapore, which would form a separate colony. In the Union the Governor was 'to exercise the Legislative and other authority surrendered by the Sultans, with the aid of Executive and Legislative Councils, to which both official and non-official members would be nominated'.²⁰ Apart from the Governor, there were three other principal officers of government: the Chief Secretary, the Attorney-General, and the Financial Secretary. Among them, the Chief Secretary, as the key official, not only managed the business of the Federal Executive and Legislative Councils, but also liaised with heads of government Departments and British Advisers in the states.²¹ The central government would delegate the powers of local administration to Councils in the states. The position of the British Advisers, whose status under the pre-war administration was 'higher than that of any other officials save the High Commissioner', would be subordinated to the Chief Secretary of the Union.²²

When the White Paper on the Malayan Union constitution was released on 22 January 1946, a large scale of protest movement erupted. Firstly, the Malays opposed the

¹⁶ *ibid.*, p. 141.

¹⁷ Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, pp. 19-20.

¹⁸ For more details, see PRO CAB 129 1 CP(45)133 Cabinet memorandum by G. Hall, 29 Aug. 1945, and PRO CAB 129 2 CP(45)199 Policy in regard to Malaya: Cabinet memorandum by G. Hall, 4 Oct. 1945.

¹⁹ Donnison, *op.cit.*, pp. 396-97.

²⁰ Donnison, *op.cit.*, p. 397.

²¹ Stockwell, *Malaya, Part I*, p. xlvii.

²² Donnison, *op.cit.*, p. 397.

forceful way in which MacMichael's mission to persuade the sultans to hand-over their authorities was carried out, but more importantly they feared the implication of the Union constitution for their future position. Under pre-war British rule, the plural structure of Malayan society was relatively peaceful without serious communal conflicts. Generally speaking the Malays were bureaucrats and peasants; many of the Chinese and Indians were businessmen, though the majority in these communities worked as labourers in the tin mines and plantations. The weakness of the plural society was not overtly obvious until the Japanese occupation. Although it is debatable whether or not the Japanese deliberately promoted racial animosity between Malays and Chinese as a matter of policy,²³ the Japanese preference for the Malays and their brutal suppression of the Chinese created overall social tensions and led to bitter inter-racial conflicts between the Malay and Chinese communities. As soon as Japanese rule ceased, more overt Chinese reprisals against the Malays (and vice versa) started taking place. During the interim period the communal conflicts reached their peak and were only subdued, albeit in a limited way, when the BMA intervened and initiated negotiations with the MPAJA leaders for disarmament and disbandment.²⁴

Therefore the storm of protest from the Malays should be understood against the background of these communal conflicts, aggravated during the Japanese occupation. On the other hand, long before the war the Malays had already feared and envied the Chinese for their vigour and their success in business. The Malays now feared that

²³ B. Cheah, 'The Social Impact of the Japanese Occupation of Malaya (1942-1945)', in A. McCoy (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), p. 108. Cheah concluded that the Japanese did not deliberately promote a policy of communal conflict, whereas most of authors used in this bibliography wrote the opposite.

²⁴ Cheah, *op.cit.*, pp. 101-03, 108-111; Donnison, *op.cit.*, pp. 378-88. The reprisals were led by the Chinese dominated resistance group, the Malayan People's Anti-Japanese Army (MPAJA), who took the law into their own hands during the interregnum period. Their main targets were the Malay collaborators, especially the District Officers in the local government and their subordinates, the district

granting equal rights to the Chinese and Indians would not only retard the already economically educationally weaker Malay community even further, but also result in loss of their political privilege. Many Malays agreed that without special protection they would lose their own country to the Chinese and Indians.²⁵

The waves of protests were led at first by the Sultans, who were pressurised by their own subjects to act, and then organised locally and nationally at a later stage. A Pan-Malayan Malay Congress, convened in March 1946, under the leadership of Onn bin Jaafar (Dato Onn), called for a complete boycott of the Union by denying the legitimacy of the agreement between MacMichael and the Sultans.²⁶ Although the British had already predicted strong objection from Malays to the Union proposals, especially to the idea of the common citizenship, the unprecedented scale of organised mass protests from the Malay community took the British by surprise.²⁷

A certain part of the British community, especially the former members of the Malayan Civil Service (MCS), the so called 'old Malaysans', supported the Malays' cause. They wrote to the national press and lobbied the Members of Parliament (MPs), the CO, and even Attlee.²⁸ British businessmen with business interests in Malaya also

headmen and headmen who were held responsible for their involvement with the notorious forced requisition of rice, labour and volunteers for the Japanese war effort.

²⁵ Pluvier, *op.cit.*, pp. 395-6.

²⁶ Donnison (in p. 398) wrote, '... these violent protests were made by the Sultans, backed up by the Malays.' However, Newbould, Bourdillon, and Gent were all convinced that the Sultans were much pressurised by their own subjects to act, who were questioning the Sultans' action in signing the MacMichael's agreement: from PRO CAB 129 7 CP(46)81 Malayan Policy: Cabinet memorandum by G. Hall, 26 Feb. 1946, and CO 537 1548 no 31, Pan-Malayan Malay Congress: inward telegram no 08312 from HQ, British Military Administration (Malaya) to War Office, 5 Mar. 1946.

²⁷ The proposal of the common citizenship is 'to grant full political rights in the Malayan Union to all those, of whatever race, who regard Malaya as their true home and as the object of their loyalty': from PRO CAB 129 7 CP(46)81 Malayan Policy: Cabinet memorandum by G. Hall, 26 Feb. 1946.

²⁸ Stockwell, *Malaya, Part I*, pp. lviii-lix; PRO CO 273 675/7 minute by J.J. Paskin to Sir G. Gater about a meeting with T.B. Barlow, 16 Nov. 1945. There were prominent members of the former MCS, such as Sir George Maxwell, the former Chief Secretary (1920-1926) of the Federated Malay States; Sirs Cecil Clementi and Frank Swettenham, the former High Commissioners. There were also the British civil servants who had served Malaya, for example, Leonard Gammons (whose enthusiasm earned him the unofficial title of 'the honourable member for Malaya' during a Parliamentary session), Sir Richard

objected to the Malayan Union proposals. In November 1945 Thomas Barlow, Chairman of the Rubber Growers' Association (RGA), visited J.J. Paskin, the then head of the Eastern Department of the CO. Barlow was concerned about constitutional changes that might destroy the 'old friendly atmosphere' in Malaya by reneging on traditional British pro-Malay policy. He particularly feared unrest in the country, which would affect business prospects in Malaya. Interventions like Barlow's did not have the desired effect. Instead, they were criticised for being self-interested and for not supporting the government's efforts to create a strong central government in Malaya which would pave the way for a move towards self-government.²⁹

Encountering strong opposition not only from the Malays but also within Britain the CO agreed to postpone the implementation of the common citizenship to allow local consultation.³⁰ The real turning point in the rigid attitude of the CO, particularly that of the Secretary of State, George Hall, who had earlier refused to let the Malays' reactions to the White Paper affect the implementation of the policy, was the result of pressure from Sir Edward Gent and MacDonald. Gent had previously favoured Hall's opinion but changed his mind after his arrival in Malaya as the Governor. MacDonald had also been in agreement with Hall before, but completely changed his views within a few days of his arrival in Singapore.³¹

Winstedt and A. S. Haynes: Stockwell, *Malaya, Part I*, pp. xlvii, 179, 180-81 note, 199 note 1, 233 note 2, 209.

²⁹ PRO CO 273 675/7 minute by J.J. Paskin to Sir G. Gater about a meeting with T.B. Barlow, 16 Nov. 1945.

³⁰ Stockwell, *Malaya, Part I*, the author's own note in p. 209. Hall particularly emphasised the practical effect of the protest from the ex-Malayan civil servants including Sir Frank Sweetenham: Hall, *op.cit.*, pp. 835-36.

³¹ PRO CO 537 1528 Malay Reactions to the White Paper: minute by H.T. Bourdillon of a CO Departmental Meeting, 25 Feb. 1946; CAB 129 7 CP(46)81 Malayan Policy: Cabinet memorandum by G. Hall, 26 Feb. 1946; CO 537 1528 no 95A Sultans' Constitutional Proposals: inward telegram no 222 from Sir Edward Gent to G. Hall, 4 May 1946; CO 537 1529 no 104 Sultans' constitutional proposals: outward telegram (reply) no 442 from G. Hall to Gent, and Minute by H.T. Bourdillon of a discussion between G. Hall and M.J. MacDonald, 16 May 1946; CO 537 1529 no 110 Proposed concessions to Malays: inward telegram no 6 from M.J. MacDonald to G. Hall, 25 May 1946.

The hand over of the Military Administration, which had been established on 1 October 1945, to the civil government was accomplished when Gent was sworn in as the Governor of the Malayan Union on 1 April 1946. On 11 May 1946 the Malay Congress was reorganised into a political party, the United Malay National Organisation (UMNO), under the leadership of Dato Onn. Three weeks after, the British decided to nullify the Malayan Union, and on 2 June Gent began talks with the Malays. The negotiations focussed on two aspects of the Union constitution, apart from the issue of its title — the restoration of Malay prestige and amending common citizenship proposals. Malayan Union citizenship was replaced by federal citizenship in which Malay special rights were guaranteed, the prerogatives of the Malay rulers in the states were restored, and the separate identity of Malay states was recognised. On 21 January 1948 Gent and the Malay rulers signed the Federal Agreement. On 1 February 1948 the Federation of Malaya came into being.³²

The British congratulated themselves on their success in the negotiations with the Malays, believing that they had not yielded much.³³ However, the reality was that, despite the constitutional change, executive power was still vested in the Malays. As a result, the Malayan administration was uneasily shared between the British-dominated central government and the state governments, and suffered from lack of unity and central direction and consequent inefficiency.³⁴

³² Pluvier, *op.cit.*, pp. 396-404. Under the federal citizenship, every Malay was automatically entitled to have a citizenship, but a Chinese only if he met some strict requirements as to birth and domicile.

³³ The British 'felt that 90 per cent of the strategic aims of the Union were achieved within it': PRO CO 539 1529 part 2 Creech Jones to Gent, 16 May 1946, cited in T.N. Harper, *The End of Empire and the Making of Malaya* (Cambridge, 1999), p. 92.

³⁴ Stockwell, *Malaya, Part I*, p. xlvii; Pluvier, *op.cit.*, p. 394. See R. Stubbs, *Hearts and Minds in Guerrilla Warfare: The Malayan Emergency 1948-1960* (Singapore, Oxford, New York, 1989), pp. 77-81 for the deficiency of the federal constitution, that was, decentralisation and its resultant adverse effects on the counter-insurgency.

Regarding the relationship between the metropolitan and local authorities, it was generally true that the colonial administrations were politically subordinate to the home authorities. Pluvier describes the colonial administrative systems in the area as constitutionally incomplete entities, and each colony as 'a headless torso', and 'an appendage of an empire with its locus of power thousands of miles away'.³⁵ However, in comparison to other European colonies in the region, the Malayan administration enjoyed a certain degree of autonomy, for 'there was as little interference as possible in the internal affairs' of Malaya by the London government.³⁶

The relationship between the metropolitan and local authorities can also be analysed by reference to the hierarchic relationship between the Secretaries of State for the Colonies and the Governors in Malaya. Stockwell describes a Governor as a somewhat mischievous cook who would 'get above himself and try to dictate his own terms', and the Secretary of State as being a master who would 'not shrink from interfering below stairs'. In any case, both had the dual function of presenting British requirements and policy to Malaya and Malayan needs to the British government, thus they saw their tasks as complementary.³⁷

The Governor also had another hierarchic relationship at the regional level with the Governor-General. Malayan affairs were supervised regionally by the Governor-General who was directly responsible to the London government and whose function it was to ensure coordination of policy and administration throughout British territories with regard to political, economic and social questions.³⁸

³⁵ Pluvier, *op.cit.*, p. 10.

³⁶ The colonial government in Burma also enjoyed similar degree of autonomy as that in Malaya. In the case of the French Indochina, 'continuous interference by Paris severely restricted the theoretically absolute power of the French governor-general of Indochina': *ibid.*, pp. 10-12.

³⁷ Stockwell, *Malaya, Part I*, p. xlix.

³⁸ PRO CAB 21 1954 Survey of co-ordination within the territories of South-East Asia: inward savingram no 12 from Killearn to FO, 17 June 1946.

Malcom MacDonald arrived in Singapore on 16 May 1946 and, as the Governor-General, he quickly established himself and exerted his influence in many aspects of Malayan affairs. In theory, he could not exercise any direct administrative role in Malayan affairs, but had a supervisory role only. However, in reality he was not only involved in the internal affairs of Malaya, such as constitutional change, the appointment and dismissal of High Commissioners, but also he often acted over the heads of the High Commissioners to the dismay of the latter. While Gent and Sir Henry Gurney were prepared to be overruled by him as well as by the CO, General Templer, the Cabinet-appointed High Commissioner and the Director of Operations (1952-1954), was not. Basically the traditional hierarchic rule of CO was irrelevant to him because he had been a professional soldier, not a career civil officer. Moreover, by the time Templer was appointed High Commissioner, MacDonald was already past the peak of his influence.³⁹ Nevertheless during his career as the Governor-General, then Commissioner-General, 'his views carried immense authority locally and commanded the respect of the CO and of ministers'.⁴⁰ Thanks to his presence and influence the British local authorities had a coordinated voice, and, as a result, were given a better hearing by the metropolitan authority.

From early 1952 onwards the importance of the role of the High Commissioner rose as the colonial role of MacDonald receded. The locus of policymaking switched to Malaya as a result of the commanding presence of the High Commissioners and, ultimately and more significantly, of the Malayanisation of government. The difficulties experienced in the aftermath of the war, such as the Malayan Union crisis and the

³⁹ General Montgomery even wrote to Churchill that 'MacDonald must go' (because of his lack of vigour) in order to revitalise the counter-insurgency: PRO PREM 11 169 Appointment of Templer: letter from Field Marshall Lord Montgomery to Churchill. Enclosure: 'Success in Malaya', note by Montgomery, 4 Jan. 1952.

Communist insurrection, altered the course of Britain's plans for the colony, and resulted in the need for continuous attention of, and consultation between metropole and periphery. Having recognised this, it should be noted that the final stage of British rule was characterised by a constant exchange of views between London and Kuala Lumpur. This took the form of constant liaisons of high-level personnel in the two capitals. Communication between London and the periphery was improved by frequent visits paid by the successive Secretaries of State to Malaya and by MacDonald and the High Commissioners in the other directions. As a result of improved contacts the gap between London and the colony narrowed. By the time Sir David MacGillivray became High Commissioner in 31 May 1954, Malayan political and economic decisions were ever increasingly being made in Kuala Lumpur, but London still carried relatively more weight in dealing with Malayan affairs.⁴¹

2.2 Britain and Regional Cooperation in Southeast Asia

2.2.1 The Colonial Office and Regional Cooperation

During the Pacific War, the British CO took initiatives to develop wartime planning for the British colonies in SEA, at the same time as making every effort to eliminate international, but ultimately US, intervention in British colonial affairs. Immediately after the fall of Singapore, the press and MPs began to search for the military reasons behind the catastrophe, while colonial experts paid particular attention to the structure of the Empire in their search for deficiencies in the British colonial system to which the defeat might be attributed.⁴² Even before the fall of Singapore, and especially after the Atlantic meeting between Churchill and Roosevelt in August 1941, there had been a recognition

⁴⁰ This particular quote is from Stockwell, *Malaya, Part I*, p. xlviii, but the whole paragraph is based on pp. xlviii-l.

among the British (especially within the CO) that Britain's colonial policy would have to be re-examined and defined, because Roosevelt made it clear that the Atlantic Charter, particularly the most controversial principle regarding 'self-determination', was directed against Britain and her Empire. Although Churchill and the War Cabinet alike insisted that the Atlantic Charter and 'self-determination' referred to the nations of Europe under the Nazi regime and were not intended to cover the sovereignty and self-government of the British colonies, this could not prevent the Charter being freely interpreted as applying to the Empire. Churchill's enthusiasm for the creation of a British alternative to the Atlantic Charter drew the CO into making declarations on British commitments to the self-government of the colonies, while, ironically, itself standing opposed to the principle of self-government, 'even in the limited sense of self-government'.⁴³

The US declaration on *National Independence* of March 1943 emphasised the colonial powers' responsibilities in preparing dependent peoples for independence under fixed timetables, through internationally accountable regional commissions.⁴⁴ This particular declaration became a guideline for the British CO in search of a counter-strategy to US trusteeship. Lord Cranborne's original idea on regional (defence and economic) cooperation without international accountability⁴⁵ was now being implemented by the CO. Since the Americans were interested in working through regional commissions, the British would set up the regional commissions, composed of representatives of all the nations interested, in the main colonial areas, such as in Africa, SEA, South-West Pacific and the Caribbean. As SEA was still under Japanese occupation, it was not feasible to establish any organisation. Nevertheless, the region was

⁴¹ *ibid.*, pp. xlix-l

⁴² Louis, *op.cit.*, pp. 134-39.

⁴³ *ibid.*, p. 121-139. The last quote is from p. 128.

⁴⁴ *ibid.*, p. 231.

included because the British did not wish to be seen as perpetuating the old pre-war imperial order.⁴⁶

The foundation stone of the CO's strategy throughout the wartime was that 'Britain had her own colonial duty and ultimately the British were accountable only to themselves and the inhabitants of the colonies.'⁴⁷ Yet when the US State Department invited the British to submit a proposal on trusteeship as a way to resolve their differences the CO promptly took the opportunity. In mid-October 1944, the CO produced a document, *International Aspects of Colonial Policy*, and this received War Cabinet approval in late December. The document emphasised partnership between the metropole and dependent peoples, international regional cooperation, and the significant role that could be played by publicity in demonstrating Britain's accountability.⁴⁸

Despite the CO's effort to deter any foreign intervention in British colonial affairs and Cabinet approval of the CO project on regional cooperation based on Britain's accountability, Churchill endorsed US trusteeship at Yalta. However, he did this more because of the assurance given by the Americans that 'the proposal had nothing at all to do with the British Empire', rather than as a result of any rejection of Britain's need to guard its own interests against the encroachment made by other world powers.⁴⁹

⁴⁵ *ibid.*, pp. 188-89. According to Louis, this was 'the genesis of the Colonial Office's idea of regional cooperation'.

⁴⁶ PRO CAB 66 49 W.P. (44) 211 Regional Bodies in Colonial Areas, 18 Apr. 1944, cited in Louis, *op.cit.*, pp. 313-15. The further difficulty involved in establishing a South-East Asia regional commission would be the incompatibility of economic and strategic interests between the colonial powers, the USA, Australia, China, India, and the Soviet Union. Other members of the Commission in Southeast Asia would be Malaya, the British Borneo, the NEI, Portuguese Timor, Indochina, Siam, and the Philippines, and possibly Burma, Ceylon, and Hong Kong where the possible membership was left open.

⁴⁷ PRO CO 968 156 Part. 1 International Supervision and the Colonial System: memorandum by Poynton, 26 July 1944, cited in Louis, *op.cit.*, p. 382.

⁴⁸ In fact, the result was perceivable from the outset because the officials who undertook this task, Hilton Poynton and Kenneth Robinson of the CO, were deeply committed to British colonial responsibilities. For more details of the personal views of Robinson and Poynton on colonial matters, see Louis, *op.cit.*, pp. 378-91.

⁴⁹ *ibid.*, pp. 433-460, and the quote is from p. 459.

However, the reality was that the British 'accepted the premise of international trusteeship' and, as the Colonial Secretary Oliver Stanley put it, 'were now committed' to it.⁵⁰ Since Britain accepted international trusteeship, the direction of British colonial policy had, accordingly, needed reappraisal. It was an urgent matter at that moment because colonial problems, including the future of the mandates, were soon to be debated at the San Francisco Conference on the establishment of the United Nations Organisation.

The focus at San Francisco was on the colonial question, with two issues being highlighted: 'security (the strategic trust territory) and colonial accountability' and 'the future of dependent peoples'. On these matters the British and the Americans compromised; the British permitted the Americans to hold the Japanese mandated islands as US strategic trust territory and in return the US delegates backed the British against the Soviets and Chinese, who wanted 'Declaration regarding Non-Self-Governing Territories', to include a reference to 'Independence'. Although the US hard line against European colonialism persisted, most of the US delegates, though some reluctantly, decided to side with the British rather than back the position of the Soviets and Chinese, setting pragmatism before principle. After all, 'British friendship was worth more than the abstract ideal of independence'.⁵¹

⁵⁰ *ibid.*, p. 468.

⁵¹ Undated memorandum (post-San Francisco) in the Taussig papers, cited in Louis, *op.cit.*, p. 539. Also see Louis, chapters 33 and 34, for more evaluation of British/American collaboration on major issues such as strategic territories and the question of colonial independence at San Francisco.

2.2.2 Regional Cooperation in the Post-War Period: the Foreign Office, the South East Asia Command, the Special Commissioner, the Commissioner-General, and the Colombo Conference

During the war the British CO was convinced of the superiority of the British colonial administration, thus rejecting international accountability for their colonies. The documents produced by the CO reflected this strong belief in British accountability. However, after International Trusteeship was endorsed by Churchill, the CO had to shelve its own projects on colonial policy in order not to throw the whole future of the colonial Empire open to discussion in international assemblies. During the post-war period regional cooperation once again became a major issue in relation to rehabilitation work and political developments in SEA. The CO was, however, reluctant to take the lead in establishing regional cooperation due to their fear of international intervention into British colonial affairs.

In the meantime, the FO was closely drawn into the process of regional policy-making in SEA. The Office was quick to grasp the opportunity provided by the SEAC which created a link between the British territories and non-British area in SEA. In spite of having been criticised by the CO during the war years for their conciliatory attitude towards the USA, the FO now hoped that the SEAC would be the basis for a British dominated international organisation in post-war SEA. The general aim of the FO, with respect to a regional organisation in SEA, was to provide for international cooperation at the economic and political levels, which at a later stage might lead to a regional defence arrangement. In any case, the FO hoped to maintain and extend the regional hegemony in SEA immediately after the surrender of the Japanese under the British-led SEAC.⁵²

⁵² Remme, *op.cit.*, pp. 2-3. The meeting between the representatives of the CO and the FO on 26 July 1944 clearly showed their different way of looking at US trusteeship. While the CO saw the US

Indeed the presence of the SEAC, which was responsible for the area comprising Burma, Ceylon, Siam, Malaya, Southern Indochina, Borneo, and the NEI, made up for the lack of adequate regional machinery.⁵³ The SEAC also coordinated British military and civilian authorities in SEA. However, as the Command was to be terminated at the end of 1946, the British government needed another machinery to work SEA.

In fact there had already been consideration of the establishment of an overall British authority for the Far East before the Pacific War.⁵⁴ In July 1941 Duff Cooper, Chancellor of the Duchy of Lancaster, had been sent out to Singapore to examine coordination between the various British military, administrative and political authorities in that area. He reported back to the War Cabinet with a recommendation for the appointment of a commissioner-general. In the following December Cooper himself was appointed as Resident Minister to form a War Cabinet in the area following the Japanese attack, but stayed in that position only until February due to the arrival of the Supreme Commander of the US South West Pacific Area.⁵⁵

In June 1945, the war in Europe had already ended. In SEA the British troops had captured most of Burma, including Rangoon, and operation Zipper was under way for the invasion of Malaya and the capture of Singapore. By that time some officials within the British government were already pressing for the creation of administrative

trusteeship as a fatal blow to the British Empire, and British control on their own colonial affairs, the FO was thinking the international trusteeship and cooperation with it more in terms of Britain's relations with the USA and future financial aid from the Americans. The FO representatives were worried that the CO's intransigence on the trusteeship issue might risk the chance to obtain US financial aid in the future. As Cadogan of the FO pointed out, it seemed natural to the FO that the USA should 'expect to have some say in how the British Empire was run', while the British were 'asking them [economically] of view': Louis, *op.cit.*, pp. 382-83.

⁵³ PRO CAB 21 1954 Survey of co-ordination within the territories of South-East Asia: inward savingram no 12 from Killearn to FO, 17 June 1946 and CAB 21 1955 F6151/6151/61 South-East Asia: work of the Special Commission during 1946: despatch no 119 from Killearn to Bevin, 12 Apr. 1947.

⁵⁴ PRO FO 371 27856 F13798/6887/61 minute, 10 Oct. 1941, cited in Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, p. 47.

machinery to coordinate the activities of officials and policies of the departments concerned with SEA. These FO officials' enthusiasm for policy coordinating machinery in SEA was led to a meeting of ministers, including Attlee and Sterndale Bennett on 18 October 1945. The participants agreed on 'the appointment of an official of ambassadorial status directly responsible to the foreign secretary ... for the co-ordination of both economic and political matters in the region'.⁵⁶ Clearly the FO was pressing for a link between regional cooperation and its new appointment — Special Commissioner.⁵⁷ The CO, though agreeing about the vital importance of regional cooperation in raising the standard of living throughout the area, seriously doubted the wisdom of including any reference to international regional cooperation in the Special Commissioner's directive. They feared that such an inclusion might lead to outside interference, particularly from the USA, and undermine the colonial powers. Moreover, the French and Dutch might suspect the British of taking advantage of the presence of the SEAC to exert power into their colonies. The CO was also anxious that its own plan to appoint a 'Governor-General' with direct power over the British authorities in Malaya, Singapore, North Borneo and Sarawak, might be disrupted by the FO's appointment of the Special Commissioner.⁵⁸

Notwithstanding these doubts, Lord Killearn, the British Ambassador in Cairo, was chosen as the Special Commissioner for South East Asia, and took up post in March

⁵⁵ PRO CAB 66 20 WP(41) 286 Report by the Chancellor of the Duchy of Lancaster, 29 Oct, 1941, cited in Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, pp. 46-7; Stockwell, *Malaya, Part I*, p. 106 note 4; Donnison, *op.cit.*, p. 6.

⁵⁶ The Committee was comprised of the Prime Minister, Attlee, as chair; the Lord President, Morrison; the President of Board of Trade, Cripps; the Secretary of State for the Colonies, Hall; Addison (Dominions); Pethick-Lawrence (India and Burma); and several officials from the Cabinet Office, the CO, and the FO. It took them a few more months to be able to reach an agreement on the terms of reference of the new appointment, which were finally approved in mid-March: Stockwell, *Malaya, Part I*, p. 170 note 3.

⁵⁷ Remme, *op.cit.*, p. 39.

⁵⁸ PRO CO 273 677/3 FF13-14 Political co-ordination in SE Asia: minute by Gent, 7 Aug. 1945; Remme, *op.cit.*, pp. 39-43.

1946. According to the directives, his tasks were to advise the British government on problems affecting the conduct of foreign affairs in SEA. He would give guidance to the Supreme Allied Commander in filling in for the deficiencies of the SEAC in the political and economic, as well as social, areas. He would also take all possible steps to ensure coordination and cooperation between the British and non-British territories particularly in economic and social welfare matters.⁵⁹

Most of his work was carried out in cooperation with the Governor-General, the Supreme Allied Commander, and the British Defence Committee in SEA. The Governor-General had his own sphere of authority. Nonetheless his work often required cooperation with other colonial powers and with foreign territories in all matters of common interest, in which case required the cooperation of the Special Commissioner.⁶⁰ Killearn needed to maintain close contact with all representatives of British territories as well as British representatives in non-British territories, and with the governments of Australia and New Zealand. He also worked with the administrations in the NEI and Indochina, which were still under the SEAC, after the return to the civilian rule.⁶¹ He and his deputy, Michael Wright, as well as their advisers, travelled widely to discuss various political and economic issues with the neighbouring countries and the local colonial authorities.⁶² The authority of the office of the Special Commissioner, in cooperation with the Governor-General and the SEAC, covered the whole region and had responsibility for the most urgent issues, particularly famine and rehabilitation. As a

⁵⁹ PRO CAB 21 1955 F6151/6151/61 South-East Asia: Work of the Special Commission during 1946: despatch no 119 from Killearn to Bevin, 12 Apr. 1947; CO 537 2203 no 2 Special Commissioner in South-East Asia: memorandum by M.E. Dening on the future of the office, 23 Apr. 1947.

⁶⁰ PRO CAB 21 1954 inward savingram no 12 from Lord Killearn to FO, 17 June 1946; CAB 21 1955 F6151/6151/61 despatch no 119 from Lord Killearn to Bevin, 12 Apr. 1947. After the termination of the SEAC the British Defence Committee in SEA included the commanders-in-chief of the three services in addition to the Governor-General and the Special Commissioner.

⁶¹ PRO CAB 21 1954 Appointment of Special Commissioner in SE Asia: outward telegram no 656 from the Cabinet Office to Admiral Mountbatten, 13 Feb. 1946.

result, the Special Commissioner became 'a chief advocate of greater regional cooperation'.⁶³

Killearn's appointment was provisionally for a period of two years. After a year, the considerable value of the office, especially with regard to food supply and arbitration of political problems in the NEI and Indochina, was already highly regarded by the British government. However, in March 1947 the UNO decided to establish the Economic Commission for Asia and the Far East (ECAFE) to 'give effective aid to countries devastated by war'.⁶⁴ It was initially proposed that ECAFE should act as a coordinating body on all economic matters, and thus taking over all responsibilities of the unofficial conferences, including the Special Commission.⁶⁵

Another blow to the existence of the Special Commissioner came from within Britain itself, for the high cost of the office was becoming problematic for the British government. In 1947 the government made a defence budget cut of five per cent to offset the increasing balance of payments deficit. The FO was asked by the Treasury to reduce its expenditure in Singapore, including the ever rising running costs of the office of the Special Commissioner — Killearn's staff had grown from approximately 200 at the end of July 1946 to 500 by March 1947.⁶⁶ Richard Allen of the FO was sent to Singapore in March 1947 to conduct an inspection. He suggested the amalgamation of the Special Commissioner with the office of the Governor-General.⁶⁷ Denning also approved the merger in economic terms despite valuing the Special Commission as 'a

⁶² PRO CAB 21 1955 F6151/6151/61 despatch no 119 from Killearn to Bevin, 12 Apr. 1947.

⁶³ Remme, *op.cit.*, p. 50.

⁶⁴ This particular quotation is from L.P. Singh, 'The Politics of Economic Cooperation in Asia' (Columbia, 1966), pp. 18-22, in Remme, *op.cit.*, pp. 105-16.

⁶⁵ Remme, *op.cit.*, p. 105-16.

⁶⁶ A.S.B. Oliver, 'The Special Commission in South-East Asia, Pacific Affairs', vol. 21, no. 3, Sept. 1948, *Daily Telegraph*, 30 July 1946, and PRO FO 371 63543 F7570 minutes by M.E. Denning, 10 April 1947 and by R. Allen, 14 April 1947, cited in Remme, *op.cit.*, p. 111.

focal point for the radiation of British influence throughout South East Asia', which, in the future, might become 'a vital link in the South East Asia Defence Organisation'.⁶⁸ Nevertheless, duplication between the two offices had to be eliminated if the excessive costs of running them were to be reduced. The Treasury saw various advantages in the proposed merger⁶⁹; the CO was also 'pleased', and the FO 'believed that the combined post would improve the coordination of British policies' in the region.⁷⁰

However, Killearn, apart from being bitter about his forced early resignation, was highly sceptical about the effectiveness of the merger into the CO machinery. The Special Commission's reputation as a quasi-international organisation in the region was 'derived from the fact that it represented the Foreign Office' and was not an instrument of British colonial policy. Therefore, he emphatically argued that the Special Commission should remain as a 'FO organisation, under an FO man'.⁷¹ Nevertheless the merger went ahead. On 1 May 1948 the former Governor-General, Malcom MacDonald, was officially appointed Commissioner-General of the United Kingdom in SEA.

In 1948, nationalism ran high throughout the region; India had obtained her independence in 1947, as had Burma in the following year; after the Dutch launched their first police action in July 1947 Indonesian matters were brought to the UN Security Council, the second police action, attracting world-wide condemnation of the Dutch, had the effect of further fanning the flames of colonial independence. Under the circumstances, the chances of the office of the Commissioner-General, directly

⁶⁷ PRO FO 371 63543 F7571 Future of the Special Commissioner in South-East Asia: report by R. Allen, 15 Mar. 1947, cited in Remme, *op.cit.*, pp. 111-12.

⁶⁸ PRO CO 537 2203 no 2 Special Commissioner in South-East Asia: memorandum by M.E. Dening, 23 Apr. 1947.

⁶⁹ PRO CO 537 2203 no 7 Special Commissioner in South-East Asia: Treasury note of an inter-departmental meeting with FO and CO, 24 Apr. 1947.

⁷⁰ Remme, *op.cit.*, pp. 112-13.

⁷¹ Malcolm MacDonald papers, Durham University, file 17/2/34, Killearn to Bevin, 4 July 1947, cited in Remme, *op.cit.*, p. 112.

responsible to the British CO, 'developing into a larger regional organisation acceptable to the new Asian states were greatly diminished'.⁷² In addition, after around two months of the merger MacDonald became preoccupied with a series of events in Malaya owing to the Emergency, and the recall and death of Gent, after which MacDonald temporarily took over as Malayan High Commissioner.

While the FO endeavoured to turn the Special Commission into a regional organisation, other means of achieving regional cooperation in SEA were also sought. The early plans to induce cooperation with other European colonial powers had been tried and discarded because of the strong objection from India and Burma. India and Burma were opposed to the French presence in Indochina, and after the bombardment of Haiphong by the French on 23 November 1946 and the subsequent declaration of war by Vietnamese on 20 December (the First Vietnam War), the anti-French mood in both countries was further heightened. Since the British hoped that these two countries would become members of the Commonwealth after independence they could not ignore the opinions of the Indians and the Burmese on Asian affairs.⁷³

The immediate circumstances in India and Burma aside, many British officials of the CO and the FO were generally sharply critical of the Dutch and French for their failure to accept the *de facto* presence of nationalist movements.⁷⁴ For example, Gordon Whitteridge of the Far Eastern Department acknowledged the necessity of helping France with their Indochinese affairs as a means to establish an alliance with France in Europe and to support Britain's Asian interests. However, he was at the same time

⁷² Remme, *op.cit.*, p. 113. Remme also points out that 'MacDonald's regional coordinating activities never featured as prominently in the Foreign Office's South-East Asian plans as they had under Killearn': in p. 118.

⁷³ *ibid.*, 90-95. For more details about the battle for Hanoi, see Pluvier, *op.cit.*, pp. 424-26.

critical of the French 'pulling against the tide with their policy in Indochina: the future was with the native people not only in Indochina but throughout the Far East'.⁷⁵ Similar opinions prevailed elsewhere in the FO, including in some parts of the FO's Western Department which was naturally more pro-French than any other Department. Even after an Anglo-French Treaty was signed, in March 1947, it proved impossible to replicate in SEA the cooperation forged in Europe with Paris.⁷⁶ The British could not accede to French requests for the purchase and transport of arms that would end up being used to suppress the nationalist movements in Indochina. Likewise, the Dutch military assault on Indonesian nationalists, in July 1947, forced Britain to stop selling arms to The Netherlands.⁷⁷

In March 1947 Nehru convened the Asian Relations Conference in New Delhi, attended by delegates from twenty-eight Asian countries. The Conference exposed division and intransigence over greater cooperation among the Asian countries and thus failed to produce a permanent organisation. Nevertheless, it demonstrated the possibility of superseding Britain's idea of Asian-European collaboration by proposals for exclusively Asian alignments. Moreover, during the following two years after this Conference Nehru intensified his efforts to create a leading position among South and Southeast Asian countries for India. Australians, whose security to a great extent depended on the stability of Asia, were also increasingly concerned at being excluded from Asian regional

⁷⁴ Dennis, *op.cit.*, p. 228. For the British criticisms on the French and Dutch regarding the latter's colonial affairs, also see *ibid.*, pp. 94, 99, 139.

⁷⁵ PRO FO 371 63542 F1201 minute by Whitteridge, 30 Jan. 1947, cited in Remme, *op.cit.*, p. 78.

⁷⁶ S. Greenwood, 'Bevin, The Ruhr and the Division of Germany: August 1945-December 1946', *The Historical Journal*, vol. 29, no. 1, 1986, pp. 203-212.

⁷⁷ Remme, *op.cit.*, pp. 90-95.

developments and showed an apparent interest in exerting greater influence in Southeast Asian affairs.⁷⁸

While the initiatives taken by India and Australia proved to be ineffective, Britain, nevertheless, faced competition from them. The Special Commissioner's removal meant that Britain needed a new approach, this time because of Communist expansionism in the region. The British strongly believed in the advantages of closer collaboration between West and East because they feared that if the Asiatic countries were left alone there would be 'little or no cohesion' between them, but 'greater fear, distrust and even dislike'. The FO reached the conclusion that throughout Asia there was no single power or any combination of powers which could successfully resist Russian expansion. Therefore the British should use their influence to weld the area into some manner of regional cooperation in order to resist Communist expansion.⁷⁹

The FO embraced the idea of using the British Commonwealth, rather than a purely UK approach, as a nucleus upon which regional cooperation should be built. This view was common within the Labour Party, that the Commonwealth should be not only the basis to form 'a real pooling of the whole of the colonial empires', but also the basis for aid to the under-developed world.⁸⁰ This would also remove India's suspicion that the West might try to use the regional associations as a pawn in its war with the Soviet Union. The Commonwealth offered a framework that might induce India's active participation without intimidating other countries in the area, particularly Pakistan and Ceylon, who were highly fearful of India's ambition to form a Greater India at their

⁷⁸ *ibid.*, pp. 97-104.

⁷⁹ PRO CO 967 84 no 69 The United Kingdom in South-East Asia and the Far East: memorandum prepared for Cabinet by the Permanent Under-Secretary of State's Committee in the Foreign Office, Oct. 1949.

⁸⁰ Bullock, *op.cit.*, p, 114.

expense.⁸¹ Additionally, the British were certain that their pre-eminent position in the Commonwealth would ensure London a leadership role in any collaborative arrangements.

An emphasis on the need to establish stability through betterment of economic and social conditions was added to the idea of Commonwealth-based collaboration. Although Paskin of the CO warned the downside of the economic approach, as social progress based on economic development would be a slow and laborious process, it was nevertheless agreed among the British that building up conditions of stability rather than military strength against the Soviet encroachment would be the more effective policy. This consensus was based the idea that the Southeast Asian countries would be more tolerant of economic cooperation with the West because of their need for economic and financial assistance.⁸² The whole region was driven by strong nationalist sentiment, and thus highly suspicious of any approach made by the West, and it would be more or so with any attempt to promote greater political cooperation. Therefore, the FO concluded that economic cooperation would be the only form of greater unity that the countries of the area were likely to accept.⁸³

The problem with this economic approach, however, was that of how to find the necessary resources sufficient for the development of SEA. British resources were overstretched due to the heavy domestic demands and from the Empire. The only solution to this lack of resources seemed to be American participation, not only with the various projects of the British in SEA, but also with the general economic development of the region. Without US assistance, as the FO reiterated on several occasions, there would be

⁸¹ *ibid.*

⁸² PRO FO 371 76031 F8037 Paskin to Denning, 22 Apr. 1949; FO 371 76031 F5863 South Asia: memo 14 Apr. 1949.

no hope of establishing any regional system of collaboration in this stance. The problem, however, was that the Americans were most reluctant to join any kind of defence arrangement in SEA, as US confidence had been badly dented following their ill-fated support of the Nationalist Chinese. They were also anxious to avoid accusations of underwriting the European colonial policies.⁸⁴ In fact the US leaders disagreed with the economic approach. According to them, Siam and Malaya might benefit from financial and economic assistance, but not Indonesia and Indochina, where political instabilities would prove an insurmountable obstacle to the effectiveness of any economic assistance.⁸⁵

At a time when Marshall Aid was already well under way in Western Europe, the Americans were still unwilling to be involved in SEA. They consistently maintained, first of all, that countering Communism in SEA was the responsibility of the British Commonwealth; secondly, that there would be no financial and economic assistance from the USA until the political situations in the Southeast Asian countries had improved; and thirdly, that the Asian states themselves should increase their efforts to resolve the economic and political problems. Public financing should be channelled through the Export-Import Bank and the World Bank, not directly from the US Government.⁸⁶ In

⁸³ PRO CO 967 84 no 69 The United Kingdom in South-East Asia and the Far East: memorandum prepared for Cabinet by the Permanent Under-Secretary of State's Committee in the Foreign Office, Oct. 1949.

⁸⁴ Douglas wrote strongly 'it is certain that the American people do not wish to do and do not wish to be accused of doing' over the matter of forming a defence pact in SEA: FRUS (1949), *The Far East and Australia*, vol. vii, part. 2, US Ambassador in the UK (Douglas) to the Secretary of State, 29 Mar. 1949, pp. 1133-34. They reiterated their opposition to a defence pact in several occasions. Also see, PRO FO 371 76375 W4092 A Pacific Pact: Foreign Office intel.249, 9 June 1949; FO 371 76383 W4528 memo recording talks with Kenan in July 1949.

⁸⁵ FRUS (1949), *The Far East and Australia*, vol. vii, part. 2, memorandum of Conversation by the Director of the Office of Far Eastern Affairs (W.W. Butterworth), 12 Sept. 1949, pp. 1197-98.

⁸⁶ *ibid.*, pp. 1198, 1200.

any case the US administration would have the usual problem of persuading the Congress of the necessity of making available fresh funds for SEA.⁸⁷

Towards the middle of 1949, further Communist advances in China increased the urgency among the British to work more precisely on measures to counter Communism in the region. MacDonald warned the FO and CO and Commonwealth Relations Office that unless the British convinced the Southeast Asians of the British, as well as of their own, ability to resist Communism, the Communists would seize the whole of SEA, and then India would be under a direct Communist threat. Denning was basically in agreement with MacDonald, but went further by promoting this self-help as a way to induce assistance from the Americans. In addition he placed emphasis on Britain taking the initiative to achieve international cooperation in SEA, where, otherwise 'there would be no cooperation'. Lastly he proposed to hold a Commonwealth Conference in Colombo.⁸⁸ On 1 October 1949 the Communist Chinese proclaimed the People's Republic of China. On 17 October 1949 Attlee and Bevin agreed that there should be a Conference of Commonwealth Foreign Ministers to discuss the situation in Asia, and within two weeks the Prime Minister of Ceylon was asked by Attlee to organise a Conference in Colombo.

Among the many issues dealt at the Conference, which opened on 9 January 1950, Communism was the most important one, and it was agreed that economic counter-measures were most effective against Communist disturbances. Accordingly, the British were keen to use the opportunity to bring up the issue that the USA should contribute resources to the development of South and Southeast Asia. Washington was, therefore, provided with a great deal of information on the meetings: the British FO

⁸⁷ Remme, *op.cit.*, p. 203.

⁸⁸ PRO FO 371 76034 F8338 minutes of a meeting at the FO, 24 May 1949 and FO 371 76009 F7516 minute by Denning, 19 May 1949, cited in Remme, *op.cit.*, pp. 190-91. In fact, at the meeting of Commonwealth Prime Ministers in October 1948, it was already contemplated to hold other Commonwealth meetings at the Ministerial level on foreign and economic affairs.

supplied highly confidential daily reports on the Conference and the American journalists were given special daily background briefings, all designed 'to keep Washington's interest going'.⁸⁹ At the same time the Commonwealth delegates were told that since the end of the war Britain had already made contributions of £750 million, roughly half of the total sum of the financial contributions made by the UK government throughout the world, to the Asian countries in loans, grants, releases of sterling balances, and unrequited exports of all kinds. The Chancellor of the Exchequer, Cripps, had already stated at a meeting of Commonwealth Finance Ministers, held in London in July 1949, that Britain would not have many resources to spare. Thus, even though Bevin and other British delegates in Colombo offered assurances that Britain would do all she could, it was obvious that Britain would not be able to make further financial commitments to the region very much greater than they had already contributed. Canada and South Africa also gave warning that their help would be strictly limited owing to their own financial difficulties. Neither India nor Pakistan was in a good position to spare capital for external investments. Despite their enthusiasm, Australia and New Zealand were hardly in any better position. Without capital investment and technical assistance from the USA, it was clear that the Commonwealth alone could not hope to rescue SEA from poverty and Communist expansion.⁹⁰ Nevertheless Bevin, in his review of the work of the Colombo Conference, refused to implore the Americans for assistance on the basis that 'It would be wrong for me to make a proposal to them.'⁹¹

The Australian Foreign Minister, Percy Spender, proposed the establishment of a Consultative Committee representing the Commonwealth governments. In the proposal

⁸⁹ PRO CAB 129 38 CP (50) 18 The Colombo Conference, 22 Feb. 1950, cited in Remme, *op.cit.*, pp. 207-08.

⁹⁰ *The Times*, 13 and 17 Jan. 1950; PRO CAB 133 78 FFM (50) 8th meeting, 12 Jan. 1950, cited in Remme, *op.cit.*, p. 210.

⁹¹ *The Times*, 17 Jan. 1950.

he urged each Commonwealth country to provide the Southeast Asian countries with all the help it could possibly muster in food, in consumer and capital goods, in technical advice and in moral support. This mutual aid among all Commonwealth countries would eventually be open to other countries willing to join in. Each country taking part in it would examine how much it could offer in sterling credits for the provision of those items listed above and then, when the study was completed, they would meet in Canberra in the Consultative Committee to discuss more specific economic issues and to draw up development plans for each of participating Asian countries.⁹²

According to Bullock, Bevin regarded the Conference as a success. As he had hoped before he went to Colombo,⁹³ the meeting managed to secure some practical results in economic cooperation, and he attached more importance to success in this than his failure to obtain agreements on political issues over the recognition of China, recognition for the Bao Dai regime in Indochina, and a Peace Treaty with Japan, which divided Britain from the older Dominions and India.⁹⁴ To him the fact that the representatives of Britain, the newly independent Asian states, and the older Commonwealth members met to 'discuss difficult political and economic questions frankly, was a considerable political achievement in itself'.⁹⁵ Indeed, it was the first conference of its kind, and the first held in Asia. Although the British took the initiative, of the eight countries represented, India, Pakistan, Ceylon, Australia and New Zealand

⁹² *The Times*, 13 and 16 Jan. 1950.

⁹³ Bullock regards that the launch of the Colombo Plan owed much to the imagination and enthusiasm of Bevin. The Foreign Secretary was intent that the meeting of Commonwealth Foreign Ministers in Colombo should be a means of resisting Communism in Asia through the existing machinery of the Commonwealth. He also believed in the economic approach, for raising the standard of living would be the best way to oppose Communism, and at the same time it would be of mutual benefit to the developed and less-developed countries by leading to an increase in trade between them and the joint opening up of the access to resources: Bullock, *op.cit.*, pp. 114-15, 745-47.

⁹⁴ India refused to recognise the Bao Dai regime, and the Australians held to their different view on the Peace Treaty with Japan.

⁹⁵ For the details on the political issues, see Bullock, *op.cit.*, pp. 747-48, and also *The Times*, 16 Jan. 1950.

were far more concerned with South and Southeast Asia than with any other part of the world.⁹⁶ Although the Australians still kept the possibility of drawing a defence pact in the Pacific area in mind, the subject was not discussed at the Colombo Conference.⁹⁷ Nehru was this time in agreement with Britain that 'a Pacific pact was undesirable' because of the absence of an assurance of American participation.⁹⁸ More importantly both agreed on an economic approach as the way to resolve political as well as economic problems of the area.

The deficiency of the development plans was however visible, as their success was to a great extent dependent on US assistance, and the immediate success of the Conference was minimised by the subsequent sluggish response from the USA to the Colombo Plan. In late 1949 there were some signs that the US administration was beginning to realise the significance of SEA in relation to both the containment of Communism and the effect that instability in SEA had on exacerbating Britain's economic troubles. The British officials were encouraged by Truman's endorsement of the Policy Planning Staff Paper on *US Policy toward SEA*, which had been published in March 1949. The US government now agreed that improving the economic conditions of SEA would contribute to the political stability, and that SEA would 'require US moral and, to a limited extent, material aid'.⁹⁹ The British FO officials saw this as 'very stimulating', for they saw the Planning Staff Paper as complementing rather than conflicting with UK policy in SEA. The difference over the roles of India and the

⁹⁶ *The Times*, 9 Jan. 1950.

⁹⁷ Bullock, *op.cit.*, p. 747.

⁹⁸ PRO CAB 133 78 FFM (50) 2nd meeting, 9 Jan. 1950, cited in Remme, *op.cit.*, p. 208.

⁹⁹ FRUS (1949), *The Far East and Australia*, vol. vii, part. 2, *Outline of Far Eastern Asian Policy for Review with the President*, 14 Nov. 1949, pp. 1210-14; *A Report to the President by the NSC*, 30 Dec. 1949, pp. 1215-20.

Philippines in SEA, and the inter-relationship of the economies of Japan and SEA did not much matter, so long as American thinking was on the same lines as was the British.¹⁰⁰

Yet the USA was still reluctant to undertake any commitments in the region. The US policy stated that they should 'carefully avoid assuming responsibility for the economic welfare and development' of SEA. Instead India, Australia and New Zealand should be drawn into more direct responsibility for that. US economic aid should be 'supplementary' to that provided by the European colonial powers. In addition the administration was more cautious with regard to the formation of regional associations of non-Communist states in SEA, and thus refrained from taking any active part in the early stages of the project.¹⁰¹ Even after the Colombo Conference the general view of the US administration with SEA did not change in a great deal. Whilst the US administration recognised the vitality of economic assistance for Asia and their determination to succeed in Japan, Korea, the Philippines and, to a lesser degree in Indonesia, both the Assistant Secretary of State for Far Eastern Affairs, W. Walton Butterworth, and the Ambassador at Large, Philip C. Jessup, made clear that the US administration did not want to take up direct financial responsibilities, other than operating through UN agencies or International Bank of Research and Development (IBRD).¹⁰² This caution over economic

¹⁰⁰ PRO FO 371 76025 F17668/10345/61G minutes by R.H. Scott and J.O. Lloyd, 24 Nov. 1949, and letter from F.R. Hoyder Millar, British Embassy, Washington, to Sir Roger Makins, FO, 16 Nov. 1949.

¹⁰¹ FRUS (1949), *The Far East and Australia*, vol. vii, part. 2, *Outline of Far Eastern Asian Policy for Review with the President*, 14 Nov. 1949, pp. 1210-14; *A Report to the President by the NSC*, 30 Dec. 1949, pp. 1215-20.

¹⁰² They said this during the Bangkok Conference of United States Chiefs of Mission in the Far East held between 13 and 15 February 1950 to discuss general matters in Asia: FRUS (1950), *East Asia and the Pacific*, vol. vi, Stanton to Acheson, Bangkok, 17 Feb. 1950, pp. 18-19; Stanton to Acheson, 27 Feb. 1950, pp. 28-30. Stockwell (Stockwell, 'Southeast Asia in War and Peace', p. 37) states that from the mid-1949 'US policy shifted from non-intervention to intervention in Southeast Asia'. Rotter (A. J., Rotter, *The Path to Vietnam: Origins of the American Commitment to SEA* (Ithaca and London, 1987), pp. 1-2) concludes that by 1949 'Following the summer of 1949, American policymakers found that Southeast Asia was the critical theater in their efforts to contain communism and to effect the recovery of the developed, non-Communist nations.' Though it might have been, there are still many evidences that show their reluctance to be directly involved in SEA, especially before the Korean War. Their subsequent military and economic aids for Indochina and Indonesia only came in May 1950, and this

aid derived from their belief that the Asian nations feared US economic imperialism, to the degree that none of the European imperialism was considered with so much apprehension as was the US. The Americans considered that even their assistance in the mediation of disputes between the European colonial powers and their respective colonies in SEA was viewed 'in part by native populations and always by Moscow' as being intended to replace western European hegemony in the region.¹⁰³ Nonetheless some emergency economic assistance, designed to remove impediments to economic development and support the Southeast Asian governments to assist their peoples in economic rehabilitation, was provided. Also, the US Secretary of State, Dean Acheson announced an economic and military aid package to Indochina, and later \$13 million in aid was assigned to each of Indonesia and Indochina. A few weeks before the outbreak of the Korean War, Acheson, announced US plans for economic and military assistance to Indonesia and Indochina.¹⁰⁴

The US administration still stood aloof from the process of establishing the development strategy drawn up under the Colombo Plan in May 1950. It was only in February 1951 that the USA finally became a full member of the Colombo Planning Committee. While the Conference and the Colombo Plan demonstrated the ability for self-help and mutual aid among the Asian nations, the Plan's main objective of generating economic development was only marginally successful due to lack of finance. According

decision again might have been 'portentous' in retrospect, but the amount was still too negligible to convince any part in the region, then, of the US administration's readiness to intervene in the region.

¹⁰³ FRUS (1950), East Asia and the Pacific, vol. vi, memorandum by the Officer in Charge of Economic Affairs, Office of Philippine and Southeast Asian Affairs (Shohan) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant), Washington, 16 Mar. 1950, p. 62.

¹⁰⁴ FRUS (1950), East Asia and the Pacific, vol. vi, memorandum by Acheson to the President, 9 Mar. 1950, pp. 40-44; record of the conversation between the Ambassador at Large (Jessup) and Representatives of the British Foreign Office, 11 Mar. 1950, pp. 46-51; memorandum by the Officer in Charge of Economic Affairs, Office of Philippine and Southeast Asian Affairs (Shohan) to the Deputy Assistant Secretary of State for Far Eastern Affairs (Merchant), Washington, 16 Mar. 1950, p. 62; memorandum by the Director of the Office of Philippine and Southeast Asian Affairs (Lacy) to the

to the report published during the Colombo Plan's second meeting in London in October 1950, the development plans required £1.8 billion, of which external finance should cover £1.1 billion.¹⁰⁵ By 1961, the USA was the biggest contributor to the Plan financing a total of \$8.3 billion through bilateral loans, grants and technical assistance, whilst Britain contributed £500 million between 1951 and 1961, including the release of £250 million in sterling balances held by India, Pakistan and Ceylon.¹⁰⁶ The problem with the external financial assistance was that most of them consisted of loans rather than grants, which the recipients would have to pay back later. Moreover, the external assistance 'only supplemented the national effort, and was generally of a marginal character', as the three-quarters of the development programmes had to be financed by the Asian countries themselves.¹⁰⁷ Therefore Remme concludes that limited success was achieved with the Colombo Plan in raising living standards, and the initiatives taken in Colombo failed to develop into an anti-Communist bloc that had been envisaged by the FO in 1949, since India refused to be drawn into an anti-Communist alignment.¹⁰⁸

As it has been acknowledged, the British found US commitment to the region was less than satisfactory, but the Korean War and the consequent danger to the security of Asia helped US Administration understand better the significance of the strategic position of the region against Communist aggression. In a meeting of February 1952 with members of the Canadian Embassy staff, the State Department expressed its doubt about

Assistant Secretary of State for Far Eastern Affairs (Rusk), 22 May 1950, pp. 94-96; Remme, *op.cit.*, p. 214.

¹⁰⁵ Colombo Plan Consultative Committee, *The Colombo Plan: Fourth Meeting at Karachi; Report of the Consultative Committee on economic Development in South and South-East Asia*, Colombo, 1952, p. 10, cited in Remme, *op.cit.*, p. 213.

¹⁰⁶ Colombo Plan Bureau, *The Colombo Plan - Basic Information*, Colombo, 1962, pp. 31-2, cited in Remme, *op.cit.*, pp. 214-15. Having used this information, it should be pointed out that unless sterling equivalent of US expenditure is figured out, that cannot be compared to the British expenditure of £500 million. I find it impossible to calculate sterling equivalent because the contribution was made 'over the period of the time'.

¹⁰⁷ Colombo Plan Bureau, *The Colombo Plan - Basic Information*, Colombo, 1962, pp. 31-2, cited in Remme, *op.cit.*, p. 215.

whether an effective defence of Western Europe could be organised if Communist aggression was allowed to develop in the Far East.¹⁰⁹ Accordingly the priorities for US military effort were given to Korea and Indochina, and military help was also provided for the Philippines, Thailand and Formosa (now Taiwan).¹¹⁰ Throughout the 1950s the British continued to work to obtain US cooperation in SEA. Admittedly the USA was far more heavily committed to the countries of SEA through economic development and military aid than the UK, but the British were still sceptical about the extent of US readiness for commitment in Asia as a whole and felt very much obliged to take the lead in Asian affairs because, otherwise, they were afraid that the US Administration might fail to act.¹¹¹

2.3 The Culture and Processes of Government/Business Relations

There had been a cohesive relationship in pre-war SEA between the metropolitan and colonial governments, on the one hand, and western enterprises, on the other. The European business communities were engaged in all aspects of the colonies' economic activities, creating both employment and revenue for both metropolitan and colonial governments. In general, they were favoured over local businesses in terms of taxation, land and labour. Although Pluvier overstates the case somewhat when he asserts that businesses 'always received the support of the colonial administrations', it is certainly true that western firms operating in SEA were often 'favoured by a combination of legal

¹⁰⁸ Remme, *op.cit.*, pp. 215-6.

¹⁰⁹ PRO FO 371 99218 F10345/9 account given by Ignatieff of a Meeting between Members of the Canadian Embassy and the US State Department, 29 Feb. 1952.

¹¹⁰ PRO FO 371 99218 F10345/12 "The US and FE" State Department's Press Release No. 503, 27 June 1952.

¹¹¹ PRO FO 371 105182 F10345/1/G brief on American Policy in the Far East by R.H. Scott, FO, 24 Jan. 1953. Even in the sixties some sections of British opinion still complained that the Americans regarded SEA and the Pacific Dominions as 'remote and of relatively marginal interest and importance': from

measures and administrative practices'.¹¹² So, the assistance given to British firms operating in Malaya was not unique and French firms operating in Indochina enjoyed an almost absolute advantage over both native and other western firms.¹¹³

In the post-war period, British firms in Malaya were still a powerful pressure group, maintaining important advantages in their dealings with the London and colonial governments in a number of ways. Firstly, they had direct access to the metropolitan government, particularly to the CO. British businesses could also consolidate their efforts to influence their home government through various other government Departments which had interest in the affairs of Malaya, such as the FO, the Treasury, the Board of Trade, the Commonwealth Relations Office, and the Ministries of Supply and Materials. Firms sent delegations of various sizes and importance to the London government. In response, the government would organise representations comprised not only of CO staff but also personnel from other government Departments who had concerns with regard to the subject matters that were broached by the business delegations. For instance, it was normal for the Treasury and the Ministry of Supply to be present on representations dealing with rehabilitation and war damage compensation in Malaya.¹¹⁴

British firms with particular interests in the Malayan rubber industry had the ever-increasing necessity to discuss long-term policy matters with government. These discussions covered methods of purchase, prices, and matters relating to UK-US rubber policy, which was dealt with by the Rubber Consultative Committee (RCC), formed in March 1946. Within the Committee, business was represented by the RGA and Rubber Trade Association of London, and was comprised of domestic manufacturers, trade

PRO FO 371 159713 D103145/30 Selkirk, the Commissioner-General for SEA, to FO, 21 Dec. 1961; FO 371 166355 D103145/3 Sir D. Gore, British Embassy, Washington, to FO, 19 Jan. 1962.

¹¹² Pluvier, *op.cit.*, pp. 49-50.

¹¹³ For more details, see *ibid.*, pp. 41-54.

¹¹⁴ PRO T 220 134 note of a meeting held at the Treasury, 5 Mar. 1946.

unionists, and trade advisers from government Departments. Government was represented by officials from the Treasury, the Raw Materials Department of the Board of Trade, the FO, and the CO. The tin industry had an equivalent, the Tin Consultative Committee, for the same purpose.¹¹⁵

Informal approaches to government were also made by rubber and tin leaders, such as Sir John Hay, the chairman of Guthrie and Co., J. Ivan Spens, the chairman of the London Tin Corporation (LTC), and Sir Clive Baillieu, the chairman of the Dunlop Rubber Co. Government often 'preferred to consult a small circle of "advisers" rather than large, unmanageable bodies such as the RCC'. These men enjoyed a position of considerable influence over government policy, providing direct and indirect assistance of experts in the formulation of policy. According to White, no discussion of the role of British business in Malaya would be complete without taking into account the influence of Hay, who was regarded in government circles as the leader of the rubber estate industry and as 'an indispensable arm of government in the negotiations on international restriction'. Equally influential were Spens, who 'had privileged informal access to the Board of Trade/Ministry of Materials', and Baillieu, who is described by White as being 'the most influential UK industrialist Malaya could call on' based on his strong connections inside the Conservative Party.¹¹⁶

Business also received backing from several notable politicians with commercial experience in Malaya. These included Walter Fletcher, Sir John Barlow, Viscount Marchwood, and Oliver Lyttelton who all had business experience in Malaya and were

¹¹⁵ White, *op.cit.*, pp. 35-6.

¹¹⁶ *ibid.*, pp. 38-41.

Conservative MPs. They also served in successive British governments mostly in the fields of trade and industry.¹¹⁷

Occasionally these officials, politicians, and business leaders were at one on Malayan affairs, but often for different reasons. With regard to the Union constitution, the business leaders were anxious about the instability that they believed the Union constitution would bring to Malaya, and 'had little time for political progressivism'.¹¹⁸ On the other hand, the old Malayan representatives objected to the Union constitution because it would neglect Malays' interests, which had been the priority of traditional British Malayan policy. Among the old Malaysians, Leonard Gammons, Lords Elibank and Marchwood expressed such views in Parliament, while Sirs George Maxwell, Cecil Clementi and Frank Swettenham met George Hall, the Secretary of State for the Colonies, to explain their position regarding the changes, but 'came away empty-handed'.¹¹⁹ They also shared a dislike of Gent, who became a scapegoat of the Labour government for its failure in persuading the Malays of the progressiveness of the Union

¹¹⁷ Walter Fletcher was a Conservative MP between 1945 and 1955. Among his career as a businessman in various parts of Europe and East Africa, he was a chairman of Rubber Trade Association of London (RATL) in the 1930s; Sir John Denham Barlow was a joint partner of Thomas Barlow & Brothers with his younger brother, Thomas Bradwall Barlow who was more devoted to business in Malaya and served several chairmanship in British Association of Straits Merchant (BASM), RTAL, RGA and British Association of Malaysia during the period of time between 1937-1965. Sir John was a director and chairman of estate companies in the Barlow group, and was also involved in Banking before entered into and while was in politics. He was at first a National Liberal MP between 1945 and 1950 before switched to the Conservatives 1951 onwards; before his long career in politics throughout 1920s and 30s and even the forties, Viscount Marchwood (formerly Frederick George Penny) had his business career in tin smelting in Malaya and became a director of Eastern Smelting Company, and of the parent firm, Consolidated Smelters in 1920s; Oliver Lyttelton was the chairman of London Tin Corporation and Anglo-Oriental (Malaya), before his long career as a politician. Among significant posts he served before and during the Second World war, he was the President of Board of Trade between 1940-41, and again in 1945, and was the Minister of Production between 1942-5. He became the Secretary of State for the Colonies under the Churchill government in the peace-time, and boosted confidence with the government among businessmen with interests in Malaya: all based in the biographical index (pp. 282-295) of White's. Also see White, *op.cit.*, pp. 36-8.

¹¹⁸ Stockwell, *Malaya, Part I*, p. lviii; PRO CO 273 675/7 minute by J.J. Paskin to Sir G. Gater, 16 Nov. 1945.

¹¹⁹ Stockwell, *Malaya, Part I*, p. lviii.

constitution, and its lack of success in fighting lawlessness. The collapse of business confidence in Gent speeded up his immediate recall.¹²⁰

Business enjoyed even closer party-political connections under the Conservative government. Oliver Lyttelton was appointed the Secretary of State for the Colonies after the Conservatives' victory in the general election on 25 October 1951. He had been deeply involved with the Malayan tin industry throughout 1920s and 1930s, and was the chairman of the London Tin Corporation (LTC) and Anglo-Oriental in 1937. In 1940 he became a Conservative MP, thus began his career as a politician. With his appointment as the Secretary of State, British business interests in Malaya 'had a knowledgeable and sympathetic voice on the Tory front bench'.¹²¹ Lyttelton, regarded the Malayan situation (the Emergency) as his 'first priority', and announced his intention to make a trip to Malaya to assess the situation for himself. During his stay in Malaya and Singapore, he made statements on British determination to stay on to protect Malaya, and to prioritise the operational side of the Emergency.¹²² To the delight of business, the Conservative government differently from the Labour seemed to see these significant issues eye to eye with business. Additionally, the Churchill government's enthusiastic intention to get a grip on the Malayan situation was reflected in the appointment of General Templer as both Director of Operations and the High Commissioner. In 1955 the Public Relations Committee of the RGA established connections with the Far Eastern Section of the Conservatives' Parliamentary Commonwealth Relations Committee and thus 'the voice

¹²⁰ PRO CO 537 3686 no 1A letter from MacDonald to Creech Jones, 19 May 1948; CO 717/172/52849/9/1948 notes by W.G. Sullivan, 22 June 1948; CO 537 3686 no 6 telegram from MacDonald to Creech Jones, 29 June 1948.

¹²¹ White, *op.cit.*, pp. 37-8.

¹²² PRO PREM 11 122 Secretary of State's visit to Malaya: minute PM(51)1 from Lyttelton to Churchill, 30 Oct. 1951; Stubbs, *op.cit.*, p. 136.

of Malayan business within the Conservative Party grew louder'.¹²³ However, broadly speaking, the Conservatives' Malayan policy was a 'continuity of Labour's policy' and its success owed much to Labour's counter-insurgency operation.¹²⁴ Having said this, it was nevertheless the case that Lyttelton, whose experience in Malaya was outstanding, had a much more effective working relationship with business than did the previous Labour Secretaries of State. In this sense it is correct to say that 'Malayan industrial circles had many more "friends at court" in the Tory governments post-1951 than during the preceding Labour regimes.'¹²⁵

In Malaya itself, business delegations, consisting of members of local business associations, often including Asian business interests, made visits to the Governor and High Commissioners at King's House. Both businessmen and civil servants also met in the local clubs, where they forged informal links. However, in spite of the multiplicity of opportunities to make representations that were available to businessmen, the post-war political changes in Malaya would affect, sometimes adversely, government/business relations in a number of ways.

The constitutional changes, first of all, restrained the political role of business. In the pre-war period, directors and managers of British firms were involved at all levels of the colonial government in Malaya. Under the Union constitution in the post-war period, designed to promote self-government, British directors and managers remained a majority of members on the Malayan Union's Advisory Council. However, the federal constitution limited non-officials' participation in government, thus decreasing business participation in the affairs of central government. Nevertheless the Legislative as well as

¹²³ 'Report of the General Purposes Committee', RGACM, 66, 5 December 1955, TGA, London, cited in White, *op.cit.*, p. 38.

¹²⁴ Stockwell, 'Southeast Asia in War and Peace', pp. 48-49; Harper, *op.cit.*, p. 310.

¹²⁵ White, *op.cit.*, p. 38.

Executive Councils remained heavily reliant upon those nominated by business organisations. Moreover, while it is true that there was a decline in British business presence within councils of state after the launch of a quasi-ministerial system of government in 1951, and then of full Cabinet government in 1955, this was to some extent compensated for by the establishment of advisory committees. Managers and directors of British firms were brought into the state governments as advisers to development bodies and agencies, as the concept that overseas investment was of high value in terms of the creation and maintenance of high employment levels and the generation of public revenue was ever-present.¹²⁶

Secondly, the Malayan government, encouraged by the British government, was becoming more attentive to its own economic affairs rather than relying solely on private enterprises, as it had in the pre-war period. The British government furnished Malaya with an Economic Adviser who would assist post-war Malaya with 'first-class advice on the economic problems' on the basis that good industrial management was needed in order to maximise Malaya's dollar earning capacity. The British government considered that the rehabilitation of the extractive industries and the re-establishment of production would be 'of very great importance not merely to the territory itself but to the Empire as a whole'.¹²⁷ Cyril Pyke, the Economic Adviser to the Malayan government between 1946 and 1949, and his successor, Oscar Spencer, were both 'committed to expanding the role of the state in Malayan economic affairs', whether for the purpose of boosting Malaya's dollar contributions to the Sterling area or to promote national economic development. This involvement resulted in a new level of political intrusion into economic affairs, a situation that was also exemplified by the role of experts like the economist, Frederic

¹²⁶ *ibid.*, pp. 43-5.

¹²⁷ PRO T 220 52 IF 23/01 letter from Sir G. Gater to Sir H. Wilson Smith, 31 Aug. 1945.

Benham, and the representatives of the UK's Board of Trade and Ministry of Transport in Malaya, who began to operate under the auspices of the Commissioner-General's office in Singapore in 1948.¹²⁸

Both officials and businessmen at the local level still enjoyed a close bond of social identity in the rather isolated European society in the colony.¹²⁹ Thus a relatively homogeneous culture grew out of the common identity that was shared by planters and MCS men who were 'of the same tastes as well as background [well spoken middle class] and used the same jargon'. While the bureaucrats in Malaya thought themselves to be culturally superior to the business milieu, composed of such people as traders and concession hunters,¹³⁰ businessmen resented the officials' ignorance with regard to business practices. They also disliked what was perceived as their lack of support, which flowed from the officials' ideological liberalism, which often encompassed a passion for social reform.¹³¹ In other words, they believed that government was letting them down and it was this division, between the political and the economic wings amongst the expatriate population, that constituted the essential character of conflict between those groups.

In the post-war period the cohesion in the ideas that business and officials shared about Malaya was further undermined by the chaotic situation in the aftermath of war and the Emergency. Business frustration and anger towards the officials manifested itself in two ways: firstly, as a result of the lack of action in dealing with lawlessness, which had mainly been the result of the penetration of the workers' organisations by the

¹²⁸ White, *op.cit.*, pp. 44-5.

¹²⁹ M.R. Stenson, *Industrial Conflict in Malaya: Prelude to the Communist Revolt of 1948* (London, New York and Kuala Lumpur, 1970), p. 155.

¹³⁰ White, *op.cit.*, pp. 44-7, and the quote is from Review of Butcher, *British in Malaya* reproduced in Anthony Burgess, *Homage to Qwert Yuiop: Selected Journalism, 1978-1985*, Glasgow: Abacus, 1986, pp. 63-6, cited in White, *op.cit.*, p. 46.

¹³¹ See Stenson, *op.cit.*, pp. 150, 158, 233.

Malayan Communist Party (MCP) during the early post-war years, and secondly, with regard to the government's 'soft-hearted' doctrine, which put social welfare before the counter-insurgency operation, resulting in a lack of progress in the suppression of insurgents.¹³² Officials' sympathy for, and liberal attitude to, Malayan workers and their soft approach to militant unionism was borne out of a government preference for a gradual approach to labour problems through the promotion of legitimate trade unionism. Taking account of the changing political environment in the post-war period, the pre-war style of suppression of unionism¹³³ would be subject to open condemnation. Therefore, urgent demands from business for the application of 'death, banishment and particularly flogging', especially after the Kedah incident in early 1947, to address the lawlessness, only met with a sluggish and partial response from the officials.¹³⁴ Social welfare was one of many important aspects of British post-war policy which particularly emphasised the need for political and social advancement in Malaya. Although some section of British managers and directors complained of the officials' obsession with 'protection' of the existing Malay social and cultural structure, at the expense of 'development',¹³⁵ in fact, many in the commercial sector, driven by profit-making, also showed little interest in any changes, because the changes would not match up to businesses' expectation of stability, which was axiomatic to the rehabilitation of business interests, and to the rapid recovery of production.

¹³² Harper, *op.cit.*, p. 155.

¹³³ See Stenson, *op.cit.*, pp. 11-53.

¹³⁴ PRO CO 537 2208 no 16 despatch no 19 from Gent to Creech Jones and minute by H.T. Bourdillon, 30 Sept. 1947; CO 537 2208 no 24 outward telegram no 1305 from Creech Jones to Gent, 18 Oct. 1947; Harper, *op.cit.*, p. 138.

¹³⁵ Interview with Leslie Davidson who was an assistant manger on Unilever's estates in Johor from 1951 to 1958, cited in White, *op.cit.*, p. 46.

In summary the cohesiveness of European society in post-war Malaya should not be exaggerated¹³⁶ and the fundamental differences between government and business were often revealed over such issues as constitutional change, counter-insurgency and the process of political development. While business still had a strong voice in the metropole through their party-political connections and through the presence of influential individuals among the leaders of the rubber and tin industries, the closeness of the connections between the business community and the officials in the state structures of the colony was rapidly diminished by a sequence of post-war events. In spite of the growing role of the colonial government, the location of the main weight of authority in decision-making remained in the metropole. Therefore the extent to which the intransigence and lack of cohesiveness between officials and business in post-war Malaya reflected the overall position of the relations between government and business is difficult to ascertain.

Conclusion

Due to the imminence of Indian independence and the Communist expansion, SEA was increasingly significant to British regional policy-making. As we have seen, keeping SEA stable and secure was directly related to the British national interest, and thus cooperation with other powers and Asian countries was sought to rehabilitate the region and to establish stability. As a way of achieving these objectives, the FO created the office of the Special Commissioner to incorporate the work of all British representatives and also to connect them with foreign representatives in the region. Though the office was originally intended to advise the British government and to compensate for the deficiencies of SEAC in dealing with economic and political matters, the Special

¹³⁶ White, *op.cit.*, p. 45.

Commissioner was also assigned with a task of eliminating the famine and handling other related issues. Through the existence of the Governor-General and the Special Commissioner, whose work coordinated with that of British military authorities in the region, Britain retained her pre-war hegemony in SEA immediately after the end of the war. Nonetheless, it was clear that Britain alone could not effectively deal with the post-war problems especially in the face of Communist expansion, and thus the FO sought cooperation with other powers with interests in the region. As the possibility of working with the returning colonial powers was rejected because of the strong nationalist sentiment among the Southeast Asians, and as the British did not have faith in an approach initiated by the Indians' purely Asian approach, collaboration with the British Commonwealth was seen as the best way to promote economic, rather than political or defence, cooperation. Essential, though, was US economic and financial aid to assist economic development and to prevent the further advance of Communism in the region.¹³⁷ Regardless of the Colombo Plan's subsequent minimal contribution to the full economic development of the region, it was nevertheless a victory for the British that they were able to show how genuine cooperation between members of the Commonwealth and the metropolitan government might be a way of rescuing the war-stricken region from poverty and increasing Communist expansion.

Meanwhile the locus of British regional policymaking was moving more towards the regional level with the creation of the offices of Governor-General and the Special Commissioner and, in the case of Malaya, as a result of the progress towards Malayanisation and the appearance of the powerful High Commissioners. Although Britain worked hard to present itself as a colonial power more forward looking than

¹³⁷ PRO CAB 134 669 SAC (49) 15 (Revised) South-East Asia, general: brief for the United Kingdom delegation to the Colombo Conference, 28 Jan. 1949

backward, we should not forget the ultimate aim of British Southeast Asian policy was to maintain and expand Britain's own interests in the region. The various British initiatives to establish stability and to rehabilitate SEA were all based in British mistrust of Asians' ability to achieve it by themselves and in their desire to maintain Britain's hegemonic role in the region through British-led regional cooperation. The limited success of British plans for the region was foreseeable from the beginning, as the British did not possess sufficient resources to match their political ambition, but needed US material assistance. The Colombo Plan was no exception to this.

These developments provided the background to the relationship between the British government and British private firms with interests in post-war SEA. The strong presence of such interests in the region was another form of power that the British government could exercise. In addition, as the private firms were the main contributor of dollar earnings, the government had every reason to be supportive of business. However I have tried to show that whilst officials wanted to assist business interests, they were hampered by intransigence amongst both those in the business sector and amongst government officials. Reconstruction of pre-war business interests challenged the local populations who had become more socially and politically aware through their experiences of the war and wanted a fair share of their own economic affairs. The liberalism and progressivism among the officials during the Labour government was itself to some extent a hindrance to their pursuit of British national interest in SEA. The metropolitan government was also no longer in a position to suppress Asian nationalism without being concerned with condemnation from other countries. More fundamentally growing political consciousness among Asians prevented the reimposition of the pre-war form of colonialism.

Chapter. 3 The Work of Rehabilitation in Malaya

The economies of the Southeast Asian countries were badly disrupted during the war. Their productive capacity was impaired by a deterioration in the physical condition of the workforce and the loss of capital assets through war damage, and also as a result of neglect. It was apparent that without rehabilitation of the region the objectives of the British Southeast Asian policy — economic progress and financial stability in the region and the extension of British economic interests — would not be accomplished. Achievement of these objectives was directly related to how quickly the region could be stabilised. The security of British territories also depended on the general stability of the region, which would be facilitated by the British-led rehabilitation work which, it was hoped, would ensure good relations between her and the countries directly involved with the programme.

In this chapter three issues are examined with regard to rehabilitation work: firstly, the Japanese occupation and its effects on Malaya; secondly, how rehabilitation work was undertaken by the British authorities; and thirdly, the labour unrest which resulted from the rehabilitation work. Without an understanding of the effects of the Japanese occupation on Malaya, the work and direction of rehabilitation cannot be fully appreciated. Yoji Akashi asks whether the three and a half year Japanese occupation of Malaya was ‘an interruption or a significant transformation of Malayan society’ and concludes that it induced a psychological, social and political transformation of a politically backward land into ‘a political maelstrom’.¹ Indeed, many features that emerged in post-war Malaya, such as mass politicisation, the radical Malay nationalist leadership, the increased power of the MCP and the Emergency, can all be attributed in part to the period of the Japanese occupation. Certainly, indoctrination of Malay youth

with a Japanese spirit of 'self-discipline, self-reliance, and self-sacrifice' contributed to the creation of radical youth organisations in the post-war period, such as Angkatan Pemuda Insaf (API, or Youth for Justice Corps), a militant youth organisation which agitated for Malay independence within Indonesia.² Also, the MCP, the most important element in the Emergency, gained prestige through its resistance to the Japanese occupation. Without understanding these sections of the society, post-war Malayan political and social development can hardly be explained.

However, my research suggests that the occupation was more 'interruption' than 'transformation' as the direct contribution of the Japanese to the independence movement was minimal. Whether for good or for bad, independence was achieved by the 'moderate' section of Malayan society, who took a gradualist approach to self-government, and who also understood the inevitability of British influence and the necessity of British cooperation if the process was to be successful. I also suggest that as far as the British metropolitan government was concerned, the occupation was seen as an interruption in colonial rule and to the stability that existed, despite the uneasy co-existence between Malays and migrant workers from India and China.³ The Japanese occupation was also detrimental to the relative stability that had been achieved in the export economy, where foreign earnings had enabled the Malaysians to overcome the shortages of rice and other foodstuffs in the country.

I then go on to discuss the relief and rehabilitation works undertaken by the British Military Administration (BMA), and the Malayan Union. Rehabilitation work included not only short-term measures, such as supplying consumer goods and

¹ Akashi, *op.cit.*, pp. 65-6, 83.

² *ibid.*, pp. 66-73; Cheah, *op.cit.*, p. 116.

³ In 1947 the Malayan population living in the Malay peninsula consisted approximately of 49 per cent of Malays, 15 per cent of Indians, and 34 per cent of Chinese: in A. Short, *The Communist Insurrection in Malaya 1948-1960* (London, 1975), p. 254.

subsistence food, but also long-term measures intended to improve the economic structure of the region, such as the expansion of secondary industries and projects for general improvements in the standard of living. As supplying food and goods was to be accomplished on a regional basis, the British government assigned to the Special Commissioner the task of increasing production of rice and of connecting import and export areas for the smooth distribution of food. Therefore, the analysis of rehabilitation in Malaya includes an explanation of the British government's efforts to rehabilitate the region as a whole under the Special Commission.

Many FO documents relating to SEA show that British interests dominated London's endeavour to rehabilitate the region. However, at the same time, there was also a feeling of moral responsibility among the Labour Party leadership and the officials. The Labour government faced a dilemma. On the one hand, it was torn between the reality of the need to control overseas expenditure and, on the other hand, by a strong feeling of responsibility to assist the rehabilitation and reconstruction of the colonies and other Southeast Asian countries with which Britain had long historical links. Another driving force behind the British government's effort to carry out a programme of rehabilitation was its belief that rehabilitation work would 'yield a higher return than new development and may be as significant in building up political resistance to Communism'.⁴ Underlining the need to secure the UK's interests, local British authorities worked with British private business interests in the region and used their expertise.

Authors, such as Stenson, Stubbs and Harper have argued that neither the BMA nor the Malayan Union could provide for the basic requirements of the population, and

⁴ PRO PREM 8 1407 Part I report by the Far East (Official) Committee of the Cabinet on Economic and Social Development in South and South-East Asia and the Far East, 1 Dec. 1951, p. 5.

that 'low wages, rice shortages and high prices' became characteristics of both administrations. They contend that the administrations were highly corrupt and inefficient in their control over the distribution of relief supplies and rationing and that officials persisted with a somewhat ineffective *laissez-faire* attitude.⁵ Indeed, the official history of the BMA confirms that the provision and distribution of relief supplies often lacked orderliness and that 'looting, pilfering, or misappropriation' accounted for 'a very big portion' of the relief supplies. In the case of Burma, issues worth more than 10 per cent of the total relief supplies imported to that country were unaccounted for.⁶

Although Stenson is most critical of the economic and political policies of the BMA and the Malayan Union, he recognises that supplies of basic requirements were largely affected by 'factors beyond their control'. He also acknowledges that rehabilitation work was adversely affected by unfavourable terms of trade which the Malayan government did not have much influence over. His main criticism of the officials is that they lacked the desire to implement reform, as they were more concerned with reconstruction of the pre-war economic structure. Stenson puts a particular emphasis on the Administration's lack of enthusiasm for 'the rehabilitation of the population', which was evident in the decision to maintain pre-war wage levels for government employees as a counter-inflationary measure regardless of rises in the cost of living. As a result, low-paid workers suffered most hardship.⁷ I entirely agree with this view and believe that the government's biggest mistake with regard to rehabilitation work was the sacrifice it imposed on the labourers, which led to dissatisfaction and labour unrest. It also has to be said that such measures were inconsistent with government's declared desire to establish the social presence of the state.

⁵ Stubbs, *op.cit.*, pp. 13-4; Harper, *op.cit.*, pp. 42-3; Stenson, *op.cit.*, p. 70 regarding the distribution of food and vital supplies.

While Stenson's assessments are not entirely unjust, his charge that inefficient and ineffective government policy was primarily responsible for the general instability and disorder, undermines the proposition that MCP was able to distract the government from the formulation and implementation of an effective policy.⁸ The MCP and its associates had been quick to establish themselves during the interim period, and expanded their influence through organised labour, while the government maintained a 'liberal', but '*laissez faire*',⁹ attitude towards the trade unions and political parties. While it is true that the Malayan government's unwillingness to deal with the MCP and militant organised labour was a cause of the instability,¹⁰ more important was the MCP's ability to seize the opportunities and provide organisation and leadership for the labourers. The MCP's intervention ensured that independently organised strike action was effective and persistent. Stubbs is correct to state that slow economic progress left 'many Malaysians disillusioned with the British colonial administration'.¹¹ However, the economic grievances alone did not create the instability, which was more complex and varied in its causes. Stenson himself points out that after March 1947 'the economic struggle was strictly subordinated to the political',¹² and focuses on the MCP's direct influence on the unrest. Harper stresses the dynamics of power struggle within the Chinese community. Indeed, behind the dynamics of lawlessness was the MCP's political struggle, which was primarily waged through the trade unions, but also manifested itself as an internecine conflict influenced by the process of political developments in Malaya and China. These political divisions took the form of a fierce internal power struggle within the Chinese

⁶ Donnison, *op.cit.*, pp. 254-56.

⁷ Stenson, *op.cit.*, pp. 84-86.

⁸ *ibid.*, pp. 67-69.

⁹ This expression is originally from the Secretary of State for War, John Strachey. See PRO PREM 8 1406 Part II Strachey to Attlee, 11 Dec. 195

¹⁰ Stubbs, *op.cit.*, p. 15; Stenson, *op.cit.*, pp. 72.

¹¹ Stubbs, *op.cit.*, p. 22.

community, mainly between the MCP and the followers of the Kuomintang (KMT), and these forces competed for power in every section of the Chinese community. Often this struggle resulted in inter-communal violence, which while it deflected the threats against European business personnel, still contributed to the widespread disorder.¹³ Therefore, as far as government and business were concerned, the MCP and their associates contributed to post-war instability through organising the labour protests and other 'subversive' political activities. This combined with the extreme conditions of economic hardship served to intensify social and political instability.

We should not neglect the positive aspects of rehabilitation work undertaken by the governments, including the wartime planning on that matter and the actual implementation. Research on wartime planning for Malaya indicates clearly that the British government and the planners (mainly the CO officials under the MPU¹⁴) showed a decisive understanding of the nature of the post-war problems in the country. The planners sought solutions to the problems that might arise, ranging from famine to communal conflicts. Undeniably the British were driven by their ambition to relinquish their role as a regional power based on a regional organisation. However, the establishment of the Special Commission and the use of that organisation to tackle the food situation, a situation that required regional co-ordination, is evidence of British willingness to deal with the post-war situation. The officials, many of whom had just left internment camps, often delayed their own departure, remaining in Malaya in order to assist with rehabilitation work and play a part in re-establishing the administration. In the process they were not only faced with insurmountable obstacles, but often they also

¹² Stenson, *op.cit.*, p. 206.

¹³ Harper, *op.cit.*, pp. 109-14.

¹⁴ See, Donnison, *op.cit.*, 139-40.

found it difficult to sustain their own living because of low pay and inflation.¹⁵ As Stenson points out, rehabilitation work was dependent on matters such as shipping and the importation of food and other goods, over which the Malayan governments had little control. Conditions of general instability, disorder and hardship in Malaya thus exacerbated the difficulties that faced the officials when trying to carry out essential work.

3.1 Japanese Occupation and Its Effects on Malaya

The Liaison Conference of 20 November 1941 laid down the principles of Japanese policy in SEA. In the approach that was determined at the conference the Military Administrations 'aimed at consolidating Japan's power, subordinating the region to Japan's requirements and expediting the acquisition of resources vital to Japan's national defence'.¹⁶ After the successful invasion of Malaya in February 1942,¹⁷ the Japanese commander, Tomoyuki Yamashita, issued a self-congratulatory declaration on the conquest of Singapore — the 'insurmountable fortress' and 'the connective point of the British Empire to control British India, Australia and East Asia'. The declaration explained that the Japanese aimed to eliminate British influence, and to promote social

¹⁵ Stubbs, *op.cit.*, pp. 32-34.

¹⁶ Pluvier, *op.cit.*, p. 192.

¹⁷ Japan had first concluded a Franco-Japanese Treaty on 30 August 1940, to acquire a strong foothold in French Indochina and a base from which the Japanese air force could reach any part of SEA and China. Further military concessions to Japan were followed, permitting the Japanese army to station forces in Tonkin and march through Indochina, while also providing several bases for the Japanese air force and navy. On 9 December 1941, Japanese attacks took place simultaneously in various places in Asia and the Pacific. Troops landed at Kota Bharu in north-eastern Malaya, in southern Siam and Hong Kong, while at the same time the Japanese air force bombed Singapore, some targets in the Philippines, and Pearl Harbour in Hawaii. War was declared the very next day by Great Britain, the USA and The Netherlands. Nevertheless, the Japanese troops drove British forces down the west coast of Malaya without meeting any serious resistance. On 11 January 1942 the capital of the Federated Malay States, Kuala Lumpur, fell, while Singapore was captured on 15 February 1942. This was the beginning of a three-and-a-half-year occupation by the Japanese in Malaya. For the details of the circumstances before and the during the negotiations for the Treaty and military concessions, see Pluvier, *op.cit.*, pp. 107-133.

development in an oriental spirit of 'give and take'.¹⁸ The Japanese 25th Army, converted from an attacking force into an army of occupation, was made responsible for the defence and administration of Malaya and Sumatra. During the first few months of occupation, the regime concentrated on restoring peaceful conditions in the occupied territories and suppressing the local people with terror tactics, including the massacre of Chinese in Malaya and Singapore, the so-called '*sook ching*'.¹⁹

The Japanese Military Administration practised strong central control over Malaya and Singapore throughout the occupation. Each province was under a Japanese governor, but the division of provinces in Malaya greatly resembled the pre-war administrative structure of states. Japanese military officers and civilians occupied the top positions within the central government, and a large number of Malays were employed in local government to fill the administrative gap left by British officials and to compensate for the lack of local knowledge and language problems among Japanese bureaucrats. It was natural for the Japanese to rely on Malay support, given their fear and distrust of the Chinese population as potential enemies owing to their strong resistance movements in China and in Malaya.²⁰

After consolidating its position in the country, the military regime started to restructure the Malayan economy as a part of the Greater East Asia Co-Prosperity Sphere. The Greater East Asia Co-Prosperity Sphere was a self-sustaining regional bloc connecting the technical and manufacturing power of Japan and the industrialised areas

¹⁸ Declaration of the Commander of the Nippon Army, *Syonan Times*, 21 Feb. 2602, cited in Kratoska, *op.cit.*, pp. 44-5.

¹⁹ For the detail of the terror tactics, see Cheah, *op.cit.*, pp. 95-7.

²⁰ Kratoska, *op.cit.*, pp. 53-70. As we can see the Japanese Military Administration was restructured based on the pre-war colonial administration. The Sultans were at first deprived of much of their powers, including their pre-war allowances, as well as properties. This policy was then reversed from the beginning of 1943; the Sultans retained their titles and authority in religious matters, though not their status as sovereign powers. For the details of the Japanese policy on the Malay Sultans, see Pluvier, *op.cit.*, p. 214 and Kratoska, *op.cit.*, pp. 67-70.

of the East Asia with the agricultural and raw material producing outer territories. Under a regime of central economic planning, a series of regulations were introduced throughout 1943 to promote economic reconstruction and to acquire supplies for the military. Malaya was to supply natural resources, whilst achieving self-sufficiency in agricultural and industrial output within the country.²¹ At the same time, the Japanese Military Administration undertook mobilisation and militarisation of young men, mostly Malays, who formed the volunteer units such as Auxiliary Servicemen, Volunteer Army and Volunteer Corps. These recruits were given Japanese-style military training, and mainly used to tackle anti-Japanese guerrillas, who were generally Chinese.²² As a result of mobilising one section of the population to control another, communal tension escalated throughout the occupation period, and eventually came into the open prior to and beyond Japanese surrender. The Malaysians had grown used to the adoption of drastic measures, whether to settle old scores or to punish informers and collaborators. This was largely as a result of the experience of tight and brutal rule under the Japanese whose frequent use of violence created a climate of brutality within the whole society, where the 'Japanese Army was an agent of Japanese values and behaviour'.²³ The intensity of total mobilisation in Malaya during the occupation brought about profound changes to the society in general. However, the main focus of this research is on the economic aspects of the Japanese occupation because the famine and shortage of supplies, and structural economic changes that resulted were the most immediate and fundamental problems which faced the returning British. Indeed it was the economic grievances which exacerbated the initial problems of a social and political nature that the British regime

²¹ Kratoska, *op.cit.*, pp. 154-55.

²² Cheah, *op.cit.*, p. 104.

²³ *ibid.*, pp. 107-08.

faced, whilst the psychological changes that had taken place amongst the Malaysians, were initially unrecognised.

Immediately after the occupation, the Japanese Malay Military Administration took full control of communication, transportation, financial and commercial facilities.²⁴ Having consolidated their position in Malaya during 1942, from 1943 onwards the Japanese began to introduce a number of economic reforms, designed to centralise the economy and to promote self-sufficiency within the country, and among the Japanese military. Firstly, various measures were taken to develop local industry and make maximum use of existing manufacturing facilities, which would ultimately reduce the need to supply Malaya with Japanese manufactured goods. Secondly, various controls over materials and goods essential to 'life' and necessary for the smooth operation of the Military Administration were introduced under an ordinance for the Control of Important Matters and Materials, in August 1943, in order to conserve goods and ensure their effective utilisation. Throughout 1944 controls on a range of products including all sorts of vital foodstuffs such as rice were much more prevalent, and these particular products could not be exported or imported without approval from the state governor, since these were the main requirements of the Japanese troops.²⁵

Despite the intervention in production and trade, food shortages and inflation in Malaya were out of control by 1944, and the numerous experiments with existing industrial facilities also failed. The occupying administration mainly concerned itself with supplying military requirements, and so could not deal effectively with local economic problems. Similar economic problems also prevailed throughout SEA. In economic

²⁴ Pluvier, *op.cit.*, p. 192.

²⁵ Kratoska, *op.cit.*, pp. 154-57.

terms the Japanese rule of SEA was fundamentally similar to that of the western colonial powers in the region. Had Japan been capable of performing the dual functions of supplying SEA with capital and consumer goods, and at the same time absorbing the regional products, the initial collapse of the economies of SEA might have been prevented. However, Japanese wartime industrial output was far from adequate for the supply of all countries in the Co-prosperity Sphere inclusive Siam and Indochina, whose special political status allowed them at least limited freedom of action on their internal political matters.²⁶ Moreover, 'her economic basis was too small' to undertake the huge regional products.²⁷ What Japan needed from the region for her war efforts was very specific, consisting mainly of rice, oil, rubber, raw cotton, iron ore, tin, bauxite and timber.²⁸ Japan could, however, supply very little of what SEA needed, such as textiles, chemicals, manufactured articles and capital goods, because of the urgent demand of the army and the shortage of shipping. In fact, the acute shortage of shipping capacity was fundamental to the difficulties that plagued Malaya, and SEA as a whole, as it brought trade, whether internal or external, virtually to a standstill.²⁹

These problems were especially severe in Malaya, for the Malayan economy relied heavily on its exports. Among the raw materials Japan needed for her war efforts, Malaya produced bauxite, iron, and above all rubber and tin.³⁰ But Malayan rubber and tin production was far too great to be absorbed by the Japanese economy — of 442,000 tons (the average annual production between 1935 and 1941) of Malayan rubber,

²⁶ Pluvier, *op.cit.*, pp. 269-70. According to Japanese plan, the Sphere comprises Japan, China and the rest of the East Asia, together with the whole of SEA, possibly also including India.

²⁷ *ibid.*, p. 273.

²⁸ *ibid.*, p. 274 and also see Kratoska, *op.cit.*, pp. 243-45 for Japanese interest in Malayan bauxite production, iron and manganese ores, and coal.

²⁹ There is a detailed study of the loss and build-up of tonnage, and the eventual collapse of transportation, in Pluvier, *op.cit.*, pp. 274-5. Also see, Kratoska, *op.cit.*, pp. 159-161.

434,384 tons had been exported, while domestic consumption was almost negligible. In 1944, 136,500 tons of rubber was produced and only 15,000 tons were exported. Also, Malayan tin production was eight times Japan's requirements.³¹

The effect of collapse of the export economy was immediate. People who were directly involved in the export industries, and those who worked in the ports and in the export-related industries, such as rubber processing and tin smelting industries, were put out of work and not all could be absorbed by the Administration's military construction schemes.³² In pre-war Malaya, public revenue had been generated primarily from levies on exports of rubber and tin and imports of liquor and tobacco, and also by taxation of the profits of mainly British companies in the Malayan extractive industries.³³ During the occupation these customs duties and taxes virtually disappeared, and the financial situation was exacerbated by the inadequate taxation of Japanese firms because their role in army procurement exempted them from taxation. Due to insufficient revenue, the military government could hardly support both military requirements and the local economy.³⁴

Eventually the Administration resorted to printing money to meet its financial requirements. As a result, the value of the occupation currency sharply declined, and inflation, which had been already caused by the shortage of food and of other essentials, became worse. Restrictions on inland trade were lifted as a way to improve the supply of civilian goods, and the Administration also allowed free movement of goods in

³⁰ According to Japan's Commodity Materialization Plan, Japan was interested in Malayan 'coal and iron rather than its rubber and tin', whereas they wanted to extract oil, nickel and bauxite from the NEI: Stockwell, 'Southeast Asia in War and Peace', p. 7 and Hall, *op.cit.*, p. 825.

³¹ For more details of Malayan rubber production under the Japanese occupation, see Kratoska, *op.cit.*, p. 227, especially Table 8.3 (based in OSS, R&A No. 2589, The Rubber Industry of Southeast Asia: An Estimate of Present Conditions and Anticipated Capabilities, 16 Dec. 1944, pp. 6, 10); for Malayan tin production, see Kratoska, *op.cit.*, pp. 240-41.

³² *ibid.*, p. 181.

³³ *ibid.*, pp. 71-2.

Malaya, Java and Sumatra. At the same time a Price Control Ordinance was introduced on 10 September 1943 as a measure to stabilise prices and inflation, but proved to be ineffectual because of the ever-increasing deficiency of vital goods. In the final months of the war, the Administration was compelled to print more currency to meet the urgent military requirements.³⁵

Within this intractable economic situation, the most pressing problem of all was the shortage of food. During the pre-war years Malaya imported two-thirds of its annual requirements of rice from Siam, Burma and Indochina. Whilst agricultural activities in Indochina and Siam were relatively intact, those in Burma were disrupted by the occupation, and worsened by the forced recruitment of labour. In any case, production declined further throughout rice exporting territories due mainly to exaction of the Japanese military forces and the loss of any incentive to plant extra. The difficulties with distribution of food owing to the collapse of transport and shortage of fuel, and the disappearance of the traditional trading networks, largely in Chinese hands, made the food situation even worse.³⁶

As the supply of imported rice was inadequate to meet the needs of the population, local food production became a major preoccupation of the Japanese Military Administration. Several experiments on new cultivation techniques including the introduction of new varieties of rice were carried out in an attempt to increase yields.³⁷ All these experiments however, brought uniformly poor results throughout SEA, including Malaya. During the 1930s the colonial government in Malaya had made various efforts to overcome the deficiency of food by promoting rice cultivation, and succeeded

³⁴ Pluvier, *op.cit.*, p. 279.

³⁵ Kratoska, *op.cit.*, pp. 154-5, 213.

³⁶ *ibid.*, pp. 247-8.

³⁷ *ibid.*, p. 270; Harper, *op.cit.*, p. 39.

in reducing the gap between domestic production and imported rice.³⁸ Although figures are not available for rice production during the Japanese occupation, it is clear that it fell — the size of the Malayan rice harvest in 1940 was about 335,000 tons, and in 1946 it was about 227,000 tons, not recovering its pre-war production level until 1948.³⁹ Peasants were not motivated to plant more than their own needs since the official prices were too low and the much hated rice police confiscated any surplus. The deterioration and neglect of drainage and irrigation, relocation of population, and recruitment of forced labour also contributed to the failure of rice production.⁴⁰ The food situation in Malaya may have been worsened by the transfer of the four northern territories, Kedah, Perlis, Kelantan and Trengganu, to Siam on 18 October 1943, for over 60 per cent of the Malayan rice crop came from these territories.⁴¹

While the Japanese controlled the sale and movement of foodstuffs, they encouraged people to support themselves through subsistence agriculture. A three-year Food Sufficiency Plan was introduced to encourage large increases in local food crops, and a Grow More Food campaign encouraged people to plant vegetables and root crops instead of rice. People were moved from towns and cities to rural areas where they could

³⁸ During the 1930s domestic production in Malaya increased from 160,000 to 330,000 tons, while the imports rose from 590,000 only to 635,000: Malayan Agricultural Statistics, 1949, Tables 30 and 31 in Kratoska, *op.cit.*, p. 248.

³⁹ Based in Table 11.14. Production and Net Imports of Rice in Malaya, in Kratoska, *op.cit.*, p. 34.

⁴⁰ Harper, *op.cit.*, p. 39 and Kratoska, *op.cit.*, p. 274. It was the Malay District Officers and their subordinates who requisited rice, labour and volunteers (often forced recruitment) for the Japanese war effort, a result which brought strong antagonism against them from both Malays and Chinese: Cheah, *op.cit.*, pp. 101-03, 108.

⁴¹ Kratoska, *op.cit.*, pp. 86, 269. For the reason for the cession of the 4 northern states, see Cheah, *op.cit.*, p. 98. The 4 northern states of the Malayan peninsula were the main rice producing area, while the southern part of Malaya had substantial plantation industries, producing relatively little rice. Most of the literature on Malaya focus on the historical background of and the reasons for the transfer than the effects of the hand-over to the Malayan economy, and hardly to the production and distribution of rice to the rest of the peninsula. The Siamese government wanted to obtain somewhat independent administration on these areas without being overruled by the Japanese authorities. For instance, the District Officers in Kelantan were told that 'all requests made by Japanese should be referred to the Thai authorities and no action should be taken without approval'. However, it is dubious how much this worked over practical matters, such as exaction of rice for the military purpose: based in Kratoska, *op.cit.*, pp. 85-6, 88, 269.

grow their own food. At the same time the military government released land from forest reserves and authorised tree cutting on rubber estates and smallholdings in order to provide space for food cultivation. In Selangor some lands reserved for Malays under the Malay Reservations Enactment were given to non-Malays for food cultivation.⁴²

The Japanese Administration knew that the capacity to provide food, and not the ideals associated with the Greater East Asia Co-Prosperity Sphere, was the ‘most important factor in gaining the support of the Malayan population’.⁴³ This aim was not achieved as the series of ordinances and controls failed to produce any positive result in increasing food production, nor did the efforts towards self-sufficiency of the agricultural output. There was also a failure to achieve self-sufficiency in industrial output, due to the shortage of equipment that could be spared from military supplies in Japan. The dilemma was that from the administration’s point of view, ‘industries for public welfare had first priority’, but in reality they came second due to the urgent demands of the occupying army.⁴⁴ Consequently, most Southeast Asians lacked many of their basic needs during the war.

The three and a half years of Japanese occupation — a period that saw the imposition of a total war on the whole Malayan society — had a grave impact on the peoples in Malaya and the country’s economy. The prime objective of the Japanese Military Administration in Malaya was to mobilise the country in order to establish Japanese hegemony over Asia within the Greater East Asia Co-Prosperity Sphere. In such circumstances the locals were subject to conscription for forced labour, and forced to provide ‘voluntary’ services for military or paramilitary organisations. The basic pattern

⁴² *ibid.*, pp. 259-62.

⁴³ *ibid.*, p. 247.

of the Malayan economy under British colonial rule, that of an export-orientated economy, almost collapsed. The Malayan economy crumbled through shortages of food and basic consumer goods, which led to the emergence of a flourishing black market, inflation and unemployment. Similar to the situation in the rest of the region, the mass of the population in Malaya was faced with unprecedented economic hardship. The Japanese Military Administration somehow managed to maintain order by relying on brutal rule. Such conditions of order, however, collapsed during the interim period, and thus when the British returned, they found the country completely uprooted. Post-war political and social developments in Malaya cannot be completely explained without understanding the politicisation and militarisation of the Malays and their indoctrination under Japanese rule. However, during the immediate post-war period there was no time to pay attention to these long-term effects of the war and the occupation, as famine was at large throughout the region.

3.2 The Work of Relief and Rehabilitation in Malaya

3.2.1 The Rehabilitation Work of the British Military Administration for Malaya

Under international law, an occupying military force has certain minimal obligations with regard to the administration of occupied enemy territory, such as prevention of starvation of the civilians, but there was no such legal obligation for an army re-occupying its own territory. Nevertheless, it was morally much more significant for a returning government to take care of the needs of its own subjects who had been so deprived during the war. Providing adequate food and clothing, along with a clear demonstration of the returning power's overwhelming military superiority, were the best forms of propaganda to direct

⁴⁴ Japanese Monographs 103, pp. 15-6, cited in Kratoska, *op.cit.*, pp. 180-1.

at both the enemy and their own subjects.⁴⁵ As the unexpectedly early ending of the war had deprived the returning colonial powers of the opportunity to re-establish their reputation as a serious military force in the eyes of the local populations, a smooth provision of relief supplies and rehabilitation work became more significant to them.

Preparing for the relief and rehabilitation of the British territories in SEA took place from the very beginning of the wartime planning period. A survey of civil relief requirements for the Far East began immediately after receiving Cabinet approval in November 1943 and was completed in May 1944 under the chairmanship of Sir Hubert Young, who had already accomplished this task for post-war Europe. The work of relief for the British territories in SEA including Hong Kong covered two years, divided into four six-monthly periods, and dealt with eight categories of supplies: food, agricultural supplies, communal requirements, soap, clothing and footwear, medical supplies, individual household requirements, and newsprint. A second working party by W.B. Brett began, in mid-1944, to complement the work of the first working party by covering many other important categories such as transportation requirements, telecommunications, public utilities, broadcasting requirements, fuel, and the repair and maintenance of industry. Moreover, *ad hoc* arrangements were made to prepare estimates of the other categories not dealt with by either of these two working parties.⁴⁶

After the USA dropped atomic bombs in Japan at Hiroshima and Nagasaki, the Japanese surrendered unconditionally. Britain's plan to liberate Malaya was immediately called off, and the Military Administration was established on 1 October 1945. The re-entry of British troops into Malaya was well received by local people. Maintaining this enthusiasm by supplying their needs, in particular food, was a most urgent matter.

⁴⁵ Donnison, *op.cit.*, p. 237.

⁴⁶ *ibid.*, pp. 241-45.

Therefore, SEAC headquarters not only dealt with matters arising from the care of prisoners and internees and repatriating the Japanese troops, but was also concerned with economic affairs.⁴⁷ The Supreme Allied Commander was ultimately responsible for the BMA in Malaya, but the Chief Civil Affairs Office (CCAO) became the principal executive officer in the Military Administration. Accordingly the CO discharged to the CCAO a responsibility for rehabilitation, and the War Office approved this. The subjects dealt with in the directives to the Military Administration embraced every aspect of an administration that would establish conditions for the resumption of a civil government, including finance, industry, economic infrastructure, social welfare, health and education. Among these subjects, 'Malayan Citizenship' and 'Chinese policy' reflected the peculiar Malayan situation and British hopes for the establishment of a new state structure in Malaya.⁴⁸ The opportunity for the Administration to 'make changes at once' during the Military Administration period, rather than allowing Malaya to resume the direction of pre-war British policy, had been lost during the wartime planning period, for the War Office felt that the BMA was a caretaker administration which should 'confine itself to handling the transition' to civil government.⁴⁹

The BMA concentrated especially on maintaining basic subsistence in order to create and sustain the stability upon which the successor civil government would be based. The strong political implications of food supplies were understood from the very beginning. A 'failure to meet the country's food needs seemed likely to damage Britain's

⁴⁷ PRO CAB 21 1954 Appointment of Special Commissioner in SE Asia: outward telegram no 656 from the Cabinet Office to Mountbatten, 13 Feb. 1946.

⁴⁸ As the head of the Civil Affairs Service, and in charge of the Military Administration for Malaya, the CCAO, Major-General Hone, was responsible for the formulation of civil affairs policy, and for the direction and co-ordination of all civil affairs activities in mainland Malaya as well as in Singapore. He was also in immediate charge of the issues arising out of relief and rehabilitation work, such as 'supplies, rationing and food control, postal services, printing and publicity, trade and industry, and labour': Donnison, *op.cit.*, pp. 141-5, 157, 163-4.

⁴⁹ Kratoska, *op.cit.*, p. 308.

political credibility'.⁵⁰ However, it was soon found out that there was less food stockpiled in the country than the Young Working Party had anticipated, and it immediately had to appeal for increased quantities of rice. Even worse, as soon as it was realised that food shortages would continue, the readily available stocks disappeared into black markets in search of higher prices.⁵¹

Supply of an adequate amount of rice for Malaya was dependent on obtaining more rice from the pre-war rice exporters in SEA, namely Burma, Siam and Indochina. Among these countries, Burma was not only the biggest exporter, but also the only British territory. The early re-occupation of rice exporting areas in Burma also raised hopes of obtaining rice from Burma for export to Malaya. However, as it was pointed out in the previous chapter, Burma had been badly affected by wartime destruction and was driven by internal political instability.⁵² Moreover, the wartime Burmese government planning undertaken for the purchase and distribution of rice and other essentials was never completed. As a result, the Military Administration had to improvise a scheme to make rice available for immediate use in the deficit areas in Burma, and then to export the surplus to the neighbouring countries, mostly to India and Malaya. Owing to the lack of experienced officials, there was delay in the provision of essential equipment for the mills. This, together with a low fixed rice price, affected the progress of this task, before it was handed over to the government of Burma.⁵³ Burma was then only able to furnish a negligible quantity of rice, which was insufficient to meet the whole region's need.⁵⁴ A factor exacerbating the difficulty of the situation was that the Burmese government soon

⁵⁰ *Ibid.*, p. 339.

⁵¹ *Ibid.*, p. 340.

⁵² 'Of all occupied countries Burma suffered worst at the hands of the Japanese.': for more details see Hall, *op.cit.*, pp. 823-24.

⁵³ Donnison, *op.cit.*, pp. 263-68.

⁵⁴ PRO CAB 21 1954 F5093/87/61 despatch from M.E. Denning to Bevin, 25 Mar. 1946.

levied a substantial export tax on rice, and on more than one occasion, 'shipments of rice originally destined for Malaya were diverted elsewhere' by the London government.⁵⁵

Another source of rice in SEA was Siam. Almost immediately after the Siamese declaration of war against the Allies the British had begun planning for post-war Siam as a part of the more general planning process for post-war SEA. Obtaining Siamese rice had been regarded as a form of compensation by neighbouring countries, especially Malaya and the NEI, and by the British, who had suffered a great deal as a consequence of Siamese collaboration with Japan during the Pacific War, and who thus felt entitled to demand rice as compensation. However, the Americans' decision to ignore the Siamese declaration of war complicated the British planning process. Despite opposition from officials, notably Denning whose inclination was to 'forget and forgive' the Siamese declaration of war, the Ministry of Food was particularly enthusiastic about the idea of free delivery of Siamese rice to feed Malaya. It described the free delivery of rice as 'just requirements' and 'definite obligations'.⁵⁶ Siamese rice would be delivered directly to Malaya, in addition to the allocations and distribution arranged by the International Emergency Food Council (IEFC). However, the Siamese, backed by a sympathetic America, cleverly traded the British off. Food rationing in Malaya was becoming worse throughout 1946.⁵⁷ As a result, the British government repeatedly compromised by paying for rice deliveries, which began as free provision, and even then the anticipated level of deliveries was never fully fulfilled.⁵⁸

As the prospect of obtaining sufficient rice was grim, the early discussions on supplies of free rice for the Malaysians were dropped, but rationed rice was charged for,

⁵⁵ M. Rudner, 'The Malayan Post-War Rice Crisis: An Episode in Colonial Agricultural Policy', *Kajian Ekonomi Malaysia*, 12 June 1975, pp. 1-13, in Stubbs, *op.cit.*, p. 20.

⁵⁶ Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, pp. 22-36.

⁵⁷ Kratoska, *op.cit.*, pp. 341-44; Stenson, *op.cit.*, p. 84; Stubbs, *op.cit.*, p. 21. See Table 11.12 in Kratoska (p. 341) for the details of rice exports from Buma, Siam and Indochina.

together with water and electricity supplies.⁵⁹ Even worse, the rationing for foodstuffs, such as rice, sugar and salt, hardly ever operated properly because of poor administration. Control over distribution required a certain standard of administration, and it was not attainable during the BMA period. As the Administration greatly suffered from a shortage of personnel, and the morale among the British officials hit rock bottom, efficiency with administering rehabilitation work was poor. Due to an acute shortage of supplies, exacerbated by a situation in which there were 'no imports, decreased production, and no effective transport systems', inflation continued. Control of prices could have been an option to restrain inflation and at the same time to make goods more affordable, but in reality the extreme scarcity of goods made this impossible to implement.⁶⁰ The Military Administration instead fixed the wage of government employees to the pre-war level as a measure to counteract inflation. However, by November 1945 when average food prices were about eight times that of 1941, the fixing of wages caused the price-wage gap to worsen dramatically. The price-wage gap, in addition to the wage disparity, was the main cause of the discontent among the low-wage earners. Stenson points out that had the wage policy taken account of the price level and had there been effective measures to distribute the limited supplies, then the effect of the wage restraint would not have been as disastrous to the mass population. In reality, however, neither measure was possible.⁶¹

Malaya was, in fact, allocated more relief supplies than Burma — it was roughly three times higher in Malaya in terms of the value per head of population. The MPU used its close contact with the War Office and the Ministry of Supply to obtain more

⁵⁸ Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, pp. 108-128.

⁵⁹ Stenson, *op.cit.*, p. 67.

⁶⁰ Donnison, *op.cit.*, pp. 226-28, 254.

resources than Burma planners. Therefore the continuation in shortages in Malaya simply reflected the gravity of the situation in the country.⁶² The continued existence of a black market was also a key indication of the fact that Malaya had 'a real shortage' of things, and of how difficult it was to go back to normal conditions after the economic structure had been completely gutted. Under such circumstances, the government's acceptance of illegal business practice as a post-war reality should not be subjected to undue criticism nor be seen as the product of complacency or neglect, but it should be positively understood as an aspect of the government's flexibility in dealing with a difficult situation. In particular the estate managers and owners often bought up rice in the black market to feed their labourers, while there was no any other source available. As Killearn rightly puts, the more rice for the labourers meant the less unrest and 'less fertile soil for agitators to work on'.⁶³

The BMA also endeavoured to restore normal trade channels and industry. Although the revival of trade and industry in the re-occupied territories was not strictly the responsibility of the military administrations, the BMA recognised that restoration of certain industries would contribute to the provision of employment for locals, of labour for the administrations and the production of otherwise scarce essential commodities, which saved imports and created exportable surpluses. The swift re-establishment of normal economic activities would also help prevent unrest in the re-occupied

⁶¹ Stenson, *op.cit.*, pp. 68-70, 84. Stenson also points out that the wage policy was intended to avoid being forced in making further wage increases when the economy returned to a normal level of performance, in p. 69.

⁶² Donnison, *op.cit.*, pp. 254-55.

⁶³ Kratoska, *op.cit.*, pp. 342-43. Killearn's statement on this issue is originally from Killearn to Bevin, 18 Aug. 1947, Cabinet. Official Committee of Food Supplies from South East Asia and Certain Other Countries. Report on the Activities of the Office of the Special Commissioner in South East Asia during the Second Quarter of 1947. S.E.A.F. (47)40. Burma Economic 3701/46, IORM/4/761, cited in Kratoska, *op.cit.*, p. 343.

territories.⁶⁴ The Administration thus selected a few British private firms for involvement. They represented mining, light engineering, tubing, refrigeration, motor, brewing and traction, and banking and insurance, which were required most urgently for the purpose of general rehabilitation of the area. Orders of materials from these industries were prioritised, and the Administration assisted with release of members of these firms from internment or from military employment.⁶⁵ As is discussed further in Chapter 4, the Military Administration also played a key role in assisting the rehabilitation of various industrial sectors. This was most notably the case in the rubber and tin industries, in spite of the fact that it had no direct authority over its functioning,⁶⁶ as were the rice mills and the copra and palm oil, timber, and pineapple-canning industries.⁶⁷

Another important factor in the restoration of the general economy was a smooth circulation of money, which was a prerequisite to promote investment and restore normal business activities.⁶⁸ The Japanese currency had been demonetised upon the entry of the British troops, and this immediately contributed to the loss of confidence in the money economy, and reduced incentives for the peasants to produce more than they needed.⁶⁹ However controversial the decision to demonetise was, such a move was inevitable if further inflation was to be restrained, as the Japanese Military Administration had issued around nineteen times the amount of money in Malaya than that which would be issued under normal circulation.⁷⁰ The major negative consequence of the demonetisation was

⁶⁴ Donnison, *op.cit.*, p. 257.

⁶⁵ *ibid.*, p. 261.

⁶⁶ *ibid.*, p. 159.

⁶⁷ *ibid.*, p. 262.

⁶⁸ For the amount of money put into circulation under the military period, see Kratoska, *op.cit.*, p. 326, and particularly Donnison, *op.cit.*, p. 225.

⁶⁹ PRO CAB 21 1954 F5093/87/61 despatch from M.E. Denning to Bevin, 25 Mar. 1946.

⁷⁰ Donnison, *op.cit.*, pp. 222-23. The percentage was recalculated by the author based in the figure in *ibid.*, p. 223.

that people's savings were wiped out, and as a consequence many people did not have enough money to buy necessities such as food and fuel.⁷¹ In order to re-establish the monetary system the Military Administration endeavoured to put British currency into circulation through the employment of a large, otherwise idle, labour force on the estates. The strategy was predicated on the assumption that the wages paid to the labourers, which would be ultimately reimbursed by the estate owners to the Administration, would assist to circulate money. At the same time, collection of various taxes began in order to offset the adverse effects of too much money being circulated and also to revive the revenues in preparation of the return of civil government. Thus, collection of duty on rubber exports had already begun before the end of 1945, while on other import, export, excise, and entertainment activities duties were collected from 1946.⁷²

The limitations of the BMA, as a military organisation, to handle civil affairs had already been foreseen during the planning period. In order to compensate for the lack of experienced officials in Malaya, and at the same time to maximise the use of expertise from private firms, cooperation between the BMA and British firms with business interests in Malaya had already been discussed and laid down in the planning process. The Administration primarily handled imports of relief and technical supplies, but retail distribution of the relief supplies was assigned to a Supplies Distributing Unit, which consisted of civilian merchants with business experiences in pre-war Malaya. As mentioned earlier, another group of private firms was also working closely with, and

⁷¹ Stubbs, *op.cit.*, p. 13.

⁷² Donnison, *op.cit.*, p. 229.

under the sponsorship of, the Administration to revive the industries most urgently required for rehabilitation work.⁷³

3.2.2 Social Policy and a New Social Partner⁷⁴

Rehabilitation work and the provision of relief supplies for post-war Malaya were measures that were formally based on humanitarian concern, but at the same time they were expected to help regain the allegiance of people in Malaya, and thus to boost British influence and prestige in the country. In addition, when the British returned to Malaya, they had the Malayan union constitution that would form a new state structure in Malaya. An emphasis was given to 'self-government' as the ultimate objective of the constitution, which would serve to provide the necessary impression that British imperialism did not lag behind, but was sufficiently progressive to adapt to the increasing nationalist fervour among the Asians. The vagueness on the time framework for the granting of self-government gave the British plenty of room to retain their imperial privileges. The big task which facing them, with regard to introducing the new Malayan constitution as a legitimate working basis for the new state structure, was to build an infrastructure of consensus upon which Malaya would be firmly placed. Therefore, firstly, Britain needed to find where new partnership could be established. The prompt collaboration of the Malays — the partners of British colonial administration in pre-war Malaya — with the Japanese during the occupation period made the British cautious about the qualification of the Malays as a stable new partner under the new state. On the

⁷³ Cooperation between the BMA and British private firms in Malaya was distinct, but not unique. Another marked examples of cooperation between them can be seen in Sarawak and North Borneo, where the British had major interests in the oil and rubber industries. Open cooperation between the returning British troops and British firms in Burma was rather restrained because of the recognition of the strong political consciousness that prevailed in the country. Yet the rehabilitation work on the main industries of Burma was assisted by the agency of British firms formerly engaged in the trade in Burma: Donnison, *op.cit.*, pp. 183-7, 257-63.

other hand, the Chinese who had strongly resisted Japanese rule, seemed to be better prepared to accept Malaya as a home than they had been in pre-war times, when their loyalty had laid firmly with China. Through constitutional reform, and especially common citizenship for all peoples, Britain provided the Chinese a more concrete stake in Malaya, in which country they normally resided and owned businesses. Without the cooperation of the Chinese in the process of the reorientation of the British colonial rule in Malaya it would not be possible to establish a strong unified Malaya, a principle in which British Malayan policy in the post-war period was based. After all their numbers were almost equal to that of Malays in the Malay peninsula and many of them possessed important commercial power.⁷⁵

Harper has emphasised the British endeavour to establish their social presence in post-war Malaya. Under the BMA, a programme of relief work and the implementation of social policy, together with the relaxation of restrictions upon the societies and organisations, was to inspire new collaboration from the Malaysians, and thus to re-establish continuity of British influence and prestige in the colony. The relaxation of control over the societies and organisations, however, contributed to expansion of the influence of extremist elements of society, as such institutions became politicised instead of responding to the social needs of the people and moved in the direction of opposition to British colonial rule. In these circumstances, a change of course during the BMA appears to have been almost inevitable. In fact, despite the *laissez-faire* policy being applied to organised labour, the General Labour Unions (GLUs) had never been officially recognised as the representatives of labour. Their plan for a large-scale demonstration in February 1946 on the anniversary of the fall of Singapore was called off after a warning

⁷⁴ The basic idea in this section is based in Harper, *op.cit.*, Ch. 2 'The Malayan Spring', pp. 55-93.

⁷⁵ *ibid.*, p. 57.

from the BMA, and in Singapore the demonstration organisers were arrested. This incident clearly showed British determination not to permit any open campaign that would impede British colonial rule. Indeed from January 1946 onwards the BMA began to reverse their policy over the societies and organisations by resuming the registration of societies and the trade unions, and the trade union movement was being re-directed under the guidance of the government-appointed Trade Union Adviser, J.A. Brazier.⁷⁶

In the face of strong opposition from Malays to the Malayan Union, especially the clause of a common citizenship, Gent and MacDonald convinced the CO to revise the Union constitution. The British authorities feared that the mounting Malay opposition might result in a recurrence of communal fighting between Malays and Chinese. In the face of such a scenario they also felt the need to support the comparatively moderate line of UMNO against the radical Malay Nationalist Party (MNP), the leadership of which was comprised of forces holding both the Communist and extreme Indonesian nationalist outlooks.⁷⁷ On 25 July 1946 an Anglo-Malay Working Committee comprised of 12 representatives, was set up to draft an alternative constitution. The new proposals provided a framework that would allow for differential treatment between Malays, British subjects, and others in the procedure for automatic qualification for 'first generation' Malayan citizenship. This marked some significant departure from the principles that were contained with the Malayan Union and the re-establishment of the old Anglo-Malay partnership.⁷⁸ Such confidence-building measures were the means by which a consensus with the Malay population would be forged, thus ensuring their cooperation with the new state structure.

⁷⁶ Stenson, *op.cit.*, pp. 65-80.

⁷⁷ Stockwell, *Malaya, Part I*, pp. ix-lxiii. For more details on Malayan political parties during the BMA period, and the relations between the constitutional changes and British search for collaborators, see Harper, *op.cit.*, pp. 83-93.

⁷⁸ Stockwell, *Malaya, Part I*, pp. ix-lxiii, and author's own notes in pp. 241, 255, 265.

While it is the case that a colonial power seeking to establish a social basis for the consolidation of their rule would try to implement aspects of social policy that might assist such a process, pre-war paternalism was not suitable in the circumstances that prevailed in post-war Malaya. The Malaysians were now more conscious of the importance of their position within the colonial structure and of Britain's need for their cooperation if they were to re-establish their position in Malaya. On the part of the British they lost opportunities to replace their pre-war policy based in 'divide and rule' with a direct allegiance from the communities as a whole to the colonial state and with a broader social base resting on a more ethnically plural constituency in post-war Malaya. Had the British and Malayan governments been able to successfully activate such an inclusive policy, then this might have served at least to minimise the tendencies in Malayan society that had resulted in conflicts between the communities, and between the different ideologies and discontent within the Chinese community.

Another point that should be made here is that the need for dollars led the British to place emphasis upon the need for rehabilitation of the extractive industries. This emphasis on the restoration of pre-war economic structures led to a concentration on the purely economic regeneration of the Malayan economy at the expense of wider socio-economic reconstruction. This occurred despite the British understanding that a progressive social policy was required to benefit the broader layers of workers and thus ensure social stability and fend off the Communist threat. In hindsight it might be argued that the establishment of a broad social consensus could have provided a solid basis upon which the new post-war state structure could rest, and thus the situation that came to constitute the Emergency might have been avoided. After all, such a consensus based on the implementation of a liberal social policy was taking place in the metropole at the time.

3.2.3 The Malayan Union and Rehabilitation Work

In March 1946 Denning reported that, though there was much that remained to be done, there had been steady progress towards recovery in Malaya — a progress that compared favourably to that achieved in other Southeast Asian countries.⁷⁹ In reality, problems with supplies of food and consumer goods, low wages and inflation were far from resolved; on the contrary, they had merely been handed over to the successor government.

The resumption of civil government (the Malayan Union was established on 1 April 1946) did not bring immediate economic recovery to Malaya, for the Union suffered from acute shortages of finance, and of important supplies and machinery.⁸⁰ Rice shortages continued to be problematic, and became most acute at the end of 1946.⁸¹ According to the report of the Chief Secretary of the Malayan Union, Alexander Newbould, the cost of buying food during this period 'consumed up to 70 per cent of the budget of many families'.⁸² Rice rationing was reduced by almost one-half in the immediate months after the return of the British from 4.6 oz per person per day to a 2.5 oz by late 1946. Throughout 1947 the rice ration rose to approximately a third of the average pre-war rice consumption (15 oz per capita per day), but this increase in ration levels was often accompanied by price rises. This frequent price fluctuation of officially rationed rice ('from week to week and from region to region') brought an adverse effect on stability of ordinary life.⁸³

⁷⁹ PRO CAB 21 1954 F5093/87/61 despatch from M.E. Denning to Bevin, 25 Mar. 1946. It was his last report as the Political Adviser of the SEAC.

⁸⁰ Stubbs, *op.cit.*, pp. 17-8.

⁸¹ Stenson, *op.cit.*, p. 84.

⁸² PRO CO 537/3004 and P/PM1, Chief Secretary 530/48 (ANM), cited in Stubbs, *op.cit.*, p. 21.

⁸³ Stubbs, *op.cit.*, p. 21.

Being afraid of the inflationary effect of wage rises, the Union continued to restrain the wages of government employees. However, the problem was that the government's wage policy was not applicable to the private industry. At least in the first half of 1946 when many private industries, especially rubber factories, engineering shops, and trading firms, were booming, the employers were prepared to pay high wages to attract labour and also to avoid any interruption in business. As a result, the disparity in wages between government employees and workers in the private industries increased. The Indians were 'usually employed in government services or in the rubber industry they bore', thus they were disproportionately subject to government's policy of wage restraint.⁸⁴ In the face of the intensifying discontent among the Indian workers, the government offered an increase of the basic minimum wage and an allowance to meet high living costs. This increase, however, was not sufficient to meet the general inflationary tendency in prices: the rise of wages of government employees in November 1946 was 2.86 times of the 1939 level, whilst controlled prices alone rose 3.52 times that of 1939. Therefore, the disparity between wages and real market prices was even bigger than this figure suggested.⁸⁵ The consequent frustrations felt among the Indian workers were subsequently exploited by the MCP, which 'were prepared to go to unusual lengths' to win the allegiance of Indian labourers because of the importance of the Indian workers in the European sector of the Malayan economy.⁸⁶

In 1947 there were signs of improvement in the economy, as rubber production recovered rapidly to its pre-war level. However, in real terms the price of rubber was 'little better than that of 1941', and thus the earnings from rubber production in addition to high inflation did not provide the same degree of buying power to the Malayan

⁸⁴ Harper, *op.cit.*, p. 131.

⁸⁵ Stenson, *op.cit.*, pp. 85-6.

government as it had done in the pre-war years. While the price of tin had nearly doubled since 1939, the earnings from tin exports were not a provider of additional finance to the government as tin production in 1947 was only one-fifth of its 1939 level.⁸⁷ As a result, the shortages of food and goods continued.

3.2.4 Supplies of Rice and Goods on a Regional Basis and the Role of the Special Commissioner

The extreme scarcity of rice remained one of the greatest problems throughout the post-war period in Malaya. The British realised that rice supply was a regional matter, only to be resolved on a pan-Southeast Asian basis. Some sort of machinery was needed to connect the rice exporting and importing countries, and to arrange distribution of the foodstuffs between the countries.⁸⁸ Immediately after the end of the war the SEAC ultimately dealt with matters of economic administration arising out of military government and was particularly concerned with the procurement and distribution of rice throughout the area. However, as the military administrations would be terminated with the return of civil governments, the FO considered the continued need for some organisation to deal with similar problems. Although as yet it was unclear as to what extent the organisation should take a role in the area, where normal trading activities would resume as soon as the civil governments were established, the idea of having such an organisation was pressed by the FO. The office of the Special Commission was established as a coordinating machinery between British and non-British territories in the

⁸⁶ Harper, *op.cit.*, p. 131.

⁸⁷ Stenson, *op.cit.*, p. 85.

⁸⁸ Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, pp. 46, 108, 133.

region,⁸⁹ and among the many tasks assigned to Killearn, Bevin particularly emphasised: '... your Mission should for the present continue to concentrate on grappling with the food situation ...'.⁹⁰

In March 1946, Killearn took over the job of the Overseas Reconstruction Committee, which had previously dealt with the economic breakdown.⁹¹ He also became responsible for all economic functions hitherto exercised by the SACSEA, concerning food distribution, transportation, coal supplies and economic intelligence, which were not passed to any one individual Governor. Killearn's role with regard to the food crisis was to take all possible steps to alleviate the food crisis by increasing food production and distributing foodstuffs to the deficit areas. At the regional level, his task was to liaise with the rice importing and exporting countries and with other interested parties, such as Australia and New Zealand, on issues such as nutrition, educating the public about diet, co-ordinating economic intelligence, rail and sea transport, the supply of coal, and health intelligence. These issues were discussed in the conferences, committees and meetings that he and his advisers convened, and also during their visits to the neighbouring countries.⁹² Killearn also communicated directly with the London government through a Special Committee, the UK Official Committee on South East Asia (Food Supplies), which was set up to co-ordinate action by government Departments regarding food problems and related economic questions in SEA.⁹³

⁸⁹ PRO CAB 21 1954 Appointment of Special Commissioner in SE Asia: outward telegram no 656 from the Cabinet Office to Mountbatten, 13 Feb. 1946.

⁹⁰ PRO FO 371 54021 F9713/333/61 telegram, 9 July 1946, cited in Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, p. 133.

⁹¹ PRO FO 371 63549 F6687/2616/6 FO to Killearn, Singapore, 17 May 1947.

⁹² PRO CAB 21 1955 F6151/6151/61 South-East Asia: Work of the Special Commission during 1946: despatch no 119 from Killearn to Bevin, 12 Apr. 1947.

⁹³ PRO CAB 21 1954 Survey of co-ordination within the territories of South-East Asia: inward savingram no 12 from Killearn to FO, 17 June 1946. The Commission also supplemented the efforts of other organisations to ship rice out of Siam, which was in a relatively better situation than other

The efforts made by SEAC and the Special Commissioner were covered by the organisations set up under the auspices of the British Ministry of Food.⁹⁴ The UK invited the rice deficit countries in South and Southeast Asia, and the Supreme Commander for the Allied Powers (SCAP) to Singapore to discuss the rice shortage. It was important to obtain cooperation from the US government in framing the future policy of the SCAP, because the latter was buying rice from SEA on behalf of Japan and offering higher prices than any other country in the region could afford. This started to affect the distribution of rice in SEA because more rice was flooding out of SEA than should have been.⁹⁵ If the governments of India, Ceylon, Indonesia, and Malaya were unable to import enough rice, the food deficits would bring the gravest economic danger to them. There were also international organisations with which the British organisations had to liaise: the Sub-committee on Rice, established in Singapore by the Rice Committee of the IEFC; the ECAFE: a specialised agency of the UNO; the Food and Agricultural Organisation, including the Indo-Pacific Fisheries Council and the International Rice Commission; and the World Health Organisation. All these organisations worked together with basically the same purpose in mind.⁹⁶

countries: PRO FO 371 63549 F6687/2616/6 FO to the Special Commissioner in South East Asia, Singapore, 17 May 1947.

⁹⁴ PRO FO 371 76041 F10598/1103/61 Economic and Social Development in the Far East and SEA: preliminary report by the Working Party, the Far Eastern Official Committee, 12 May 1949. A large proportion of the total legitimate (it was a normal practice among the Siamese, Chinese, and other non-European traders to make millions of Straits dollars by evading the orderly schemes, fixed prices, government control etc.) export of Siamese rice was made through the Siam Rice Agency in which the Borneo Company with some other British companies took a prominent part. Harrisons & Crosfield also assisted the Malayan Federation government with the distribution of rice in Northern Malaya. See H. Longhurst, *The Borneo Story: The History of the First 100 Years of Trading in the Far East by the Borneo Company Limited* (London, 1956), p. 104, and P. Pugh, et al., *Great Enterprise: A History of Harrisons & Crosfield* (London, 1990), p. 168.

⁹⁵ PRO FO 371 84536 F21073/1/G tripartite ministerial talks in New York, 12-14 Sept. 1950.

⁹⁶ PRO FO 371 76041 F10598/1103/61 Economic and Social Development in the Far East and SEA: preliminary report by the Working Party, the Far Eastern Official Committee, 12 May 1949.

The Japanese failure to satisfy the basic needs of the mass of the population in the region put the returning power under pressure to succeed as a way to secure their position in post-war SEA. The British government considered that 'it would be disastrous if the return of the Allies was associated with post-war famine'.⁹⁷ Since the British-led SEAC was in charge of liberating the whole region, the adequate supply of food and consumer goods was Britain's primary concern and her post-war position was directly affected by her ability to cope with the food crisis in the region during the military administration period. Towards the end of 1940s sufficient food supplies were also highly significant in relation to the campaign to prevent Communist encroachment in SEA. The whole of SEA was strongly influenced by the availability of rice. If rice was cheap and plentiful, people were contented, and all was well. If rice became dear and scarce, social and political instability quickly followed.⁹⁸ It was notable that where starvation was prominent, so were the Communist activities. Moreover, only stability achieved in the region could satisfy a world need for raw materials, such as, rubber, tin, rice, and vegetable oils, which were formerly exported from the Southeast Asian countries. The British government considered that if they could at once send in adequate supplies of food and consumer goods, recovery of the economy could be expected to be automatic and swift.⁹⁹

When in June 1946 the Combined Food Board in Washington was reconstituted as the IEFC, and began to regulate the allocation and distribution of surplus food in SEA, Killearn's work concentrated on helping with the fair distribution of rice supplies. In the following October an IEFC Sub-Committee on Rice was established in Singapore,

⁹⁷ Tarling, *Britain, Southeast Asia and the Onset of the Cold War*, p. 46.

⁹⁸ PRO T 220 385 Financial Assistance for Rice Development Programme in the Colonies 1952-55.

⁹⁹ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, p. 4.

and, as a result Killearn's operation was brought within the direct orbit of IEFC. However, allocations and distributions of foodstuff relied on the precision of information on the availability of rice in the producing countries for export and the fairness of requests submitted by food deficit areas, and at the time only the office of the Special Commissioner could provide them.¹⁰⁰ Therefore, instead of being overshadowed by the presence of the IEFC, Killearn's previous work, the results of which had accumulated over time, was invaluable to the operation of that body. For instance, meetings of the IEFC Sub-Committee on Rice were arranged, by common consent, to take place immediately after the Monthly Liaison Officers' Meetings, which were held in Singapore under chairmanship of Empson, the Economic Adviser to Killearn. These meetings were attended by representatives of all territories with which the Office of the Special Commissioner was concerned, in order 'that the programme for rice shipments prepared at these meetings might conveniently be reviewed by the sub-committee and approved or amended as necessary'.¹⁰¹

The rice situation improved to some extent from the mid-1947 onwards, though the problems with food shortages in South and Southeast Asia continued throughout the rest of 1940s and 1950s. The main reason for this was that, even in 1949, the combined exports of rice from the three exporting countries — Burma, Siam and Indonesia — amounted to less than half of the pre-war total. The increasing population in the area, and the continuous preference for rice over wheat caused the problems of supply to persist.¹⁰² Nevertheless, evidence of an improved rice situation can be seen in the

¹⁰⁰ Kratoska, *op.cit.*, pp. 341-2.

¹⁰¹ PRO CAB 21 1955 F6151/6151/61 despatch no 119 from Killearn to Bevin, 12 Apr. 1947.

¹⁰² PRO FO 371 76041 F10598/1103/611949 Economic and Social Development in the Far East and SEA: preliminary report by the Working Party, the Far Eastern Official Committee, 12 May 1949. Also see and CAB 21 1955 F6151/6151/61 South-East Asia: work of the Special Commission during 1946: despatch no 119 from Killearn to Bevin, 12 Apr. 1947, for the details of rice situation in SEA immediately after the war in comparison with the pre-war years.

dissolution of the machinery designed to resolve post-war rice problem. For example, the Liaison Officers' Meetings, which had continued to operate under the Economic Department of the office of Commissioner-General after the termination of the Special Commission, became unnecessary because of the improving rice situation, and the last Liaison Officers' Meeting was held in November 1949. As rice became more available, international arrangements for its procurement and distribution under the IEFEC were breaking down, and the system of allocation finally came to an end in December 1949.¹⁰³

The British military administrations and SEAC worked on normalising the money economy in the re-occupied countries, but it was soon apparent that the mere offer of money wages would not re-establish the economies, where there were no goods to be bought.¹⁰⁴ The British authorities perceived that a flow of consumer goods would provide the Southeast Asians with incentives to earn and to produce a crop surplus to pay for the goods.¹⁰⁵ For instance, the Dutch showed grave concern at their inability to buy cotton yarn and piece goods from Britain, for the supply of cotton goods had a direct bearing on the productive capacity of the Indonesian population.¹⁰⁶

Before the war Japan had been the major source of affordable manufacturing goods for the Southeast Asians, but it was no longer an alternative source of supply. Britain was also having difficulty producing sufficient goods to meet domestic and overseas demand. Apart from irregular and uncertain supplies of industrial raw materials, there were shortages of steel, containers, and packing materials, delays in delivery of

¹⁰³ Remme, *op.cit.*, p. 118. In 1949 the price of rice in the black market was not much different from that of the rationed rice: in Kratoska, *op.cit.*, pp. 343-44.

¹⁰⁴ Donnison, *op.cit.*, p. 237.

¹⁰⁵ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, pp. 4-5.

¹⁰⁶ PRO T 236 1291 memorandum by the Treasury, 12 Apr. 1947, pp. 4-5.

plant and machinery and, in particular, difficulties in obtaining permission to repair, rebuild or expand manufacturing premises caused big delays in the reconstruction of British industry as a whole.¹⁰⁷ Above all, due to the shortage of dollars, priority in exporting available goods was given first to the dollar area, and then to the British territories. Thus in spite of the emphasis given to the significance of a smooth supply of all kinds of consumer and capital goods to the Southeast Asian countries, Britain was not able to entirely satisfy their needs.

In these circumstances, the need for an expansion of secondary industries in Malaya was well recognised, not only as a way to diversify the Malayan economy from extractive industries, but also as a solution to the shortage of consumer goods in the Malayan and neighbouring markets in the region. Prior to the war, the secondary industries in Malaya mainly produced goods for local consumption, and the main emphasis was given to the processing and finishing industries, which were complementary to the entrepot trade of Singapore. After 1946 various industries were established, designed to provide for the supply of the manufactured goods. The British believed that a carefully controlled encouragement of secondary industries in general would lead to a higher standard of living. If goods were too expensive, and there was no alternative source of cheap ones, they would not be bought at all, and this would directly affect their work on rebuilding the economy. The urge toward a general advance in the standard of living in SEA was both in the interests of the inhabitants and of Britain. A higher standard of living meant an advance in purchasing power. If such circumstances could be achieved then it was expected that the Southeast Asians would buy a wide

¹⁰⁷ PRO T 230 134 summaries of replies of National Union of Manufacturers on Questionnaire on Export Trade, Dec. 1947. The Board of Trade in a summary of information on British competitive ability suggested that the high costs of fuel due to the high price of coal in the UK imposed a more serious handicap on the British exporters than raw materials costs: T 230 167 1950 B.T.S.(G.A) (49) 3 The Competitive Position of United Kingdom Manufactures: memorandum by the Board of Trade.

range of goods from British sources.¹⁰⁸ Moreover, economic development in SEA would counter Communism, and thus the British government took positive steps to encourage local industrial development for which they could provide technical or financial aid.¹⁰⁹

Accordingly there were various plans initiated by the public organisations such as the Singapore Improvement Trust, which laid out industrial estates in Singapore.¹¹⁰ There were also public acts designed to develop the colonies.¹¹¹ Historically public enterprises in the British Empire had concentrated on constructing the basic infrastructure such as transport, power supplies, social services, and agricultural improvement, while the rest of the field was 'left almost entirely to the private sector'.¹¹² It was more so for the places like Hong Kong and Singapore, and Malaya, which had resources of capital and skill. As a result, despite the prominent part played by the central and colonial governments in the industrial expansion of Malaya, the actual industrialisation of Malaya was to a great extent indebted to private capital, especially British private firms, including the managing agencies and merchant firms. The large cement factory at Rawang in Selangor was established by Associated Portland Cement Manufacturers Ltd. and Malayan Collieries Ltd; Lever Brothers built a factory in Kuala Lumpur to produce soaps and edible fats; the Borneo Company was involved in

¹⁰⁸ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, p. 5.

¹⁰⁹ PRO FO 371 76041 F7438/1103/61 First Meeting of the Far Eastern (Official) Committee Working Party, 19 May 1949; FO 371 76041 F10510/1103/61 The Colonial Office paper on the Economy of Malaya and Singapore, 28 July 1949. For the British concern over Malaya's utter reliance on tin and rubber in relation to her relationship with the USA, see PRO CO 1022 266 or Hansard, 27 Feb. 1952.

¹¹⁰ D.J. Morgan, *Developing British Colonial Resources 1945-1951*, *The Official History of Colonial Development*, vol. 2 (London, 1980), pp. 348-49.

¹¹¹ For example, the Colonial Development and Welfare Act (CDWA) was to utilise for developing basic social services, for establishing indispensable public utilities and public services, and improving agriculture and the conditions of a sound economy: Morgan, *Developing British Colonial Resources 1945-1951*, pp. 348-49.

¹¹² White, *op.cit.*, p. 6.

producing building materials.¹¹³ In addition, many more managing agencies with interests in rubber plantations established their own rubber processing factories. By 1951, a dry battery factory, oil and soap factories and a glass factory were already in operation in Malaya.¹¹⁴

3.2.5 Rehabilitation Work and the Resurgence of the Trade Union Movement

We have seen that the relief and rehabilitation work showed only a somewhat slow progress and was essentially ineffective in raising the living standard of the workers. Stubbs criticises the inability of the BMA and the Malayan government to provide ‘food and security’, while Harper charges the government with failure to maintain basic subsistence and provide a social presence. Such failure resulted in the subsequent difficulties in re-establishing authority over the Malayan society.¹¹⁵ Stenson describes the main features of the rehabilitation period as ‘instability, uncertainty, disorder and economic hardship’. He admits that these were ‘the inevitable consequences of war’, but, he also argues, these factors were increased as a result of the ineffective economic and political policies of the British authorities.¹¹⁶ However, true as it was that the rehabilitation work proved to be ineffective, it cannot be said the government was solely responsible for the subsequent instability. The MCP contributed to a large extent to the continuous unrest by instigating politically-motivated strikes through intimidation of the

¹¹³ G.C. Allen, and A.G. Donnithorne, *Western Enterprise in Indonesia and Malaya; A Study in Economic Development* (London, 1954), p. 262.

¹¹⁴ PRO PREM 8 1407 Part I Report by the Far East (Official) Committee of the Cabinet on Economic and Social Development in South and South-East Asia and the Far East, 1 Dec. 1951, Appendix A: Country Surveys: Individual Studies, p. 11. It was reported that although the operation was still insufficient, the future of secondary industries looked far brighter in comparison with food production, for the production of food and raw materials made a very slow progress. For more details, see PRO FO 371 76041 F10593/1103/61 A Preliminary Report by the Working Party on Economy Social Development in the Far East and Southeast Asia, 12 May 1949.

¹¹⁵ Stubbs, *op.cit.*, p. 25 and Harper, *op.cit.*, pp. 55-93.

¹¹⁶ Stenson, *op.cit.*, pp. 67-71.

labourers, while there was a degree of 'a feeling of contentment' among the labourers, who were otherwise not prepared to go on lengthy strikes.¹¹⁷ We should also not forget the fact that the violent conflicts within the Chinese community in the rural area accentuated the unrest and under laid the chaos before the outbreak of the Emergency.¹¹⁸

The Times reported in September 1945 that the growing political consciousness in the NEI, Burma, and Indochina took the form of straightforward nationalism and the struggle for independence, whereas in Malaya emphasis was on the economic side of things. The Malaysians were believed to have every economic motive to assist the returning British. Thus, struggle between capital and labour rather than a struggle between nationalists and the metropolitan power would soon come to work as a factor disturbing to established British interests.¹¹⁹ This prediction proved to be correct, and the conflicts between capital and labour in Malaya became more complicated because of the involvement of the MCP and its affiliates, which often found opportunities for agitation in the presence of economic grievances and of communalism, and they frequently used violence as a political weapon.

When the British managers returned to Malaya, they found the labourers generally 'unruly' and 'reluctant to accept supervisory authority. Nowhere was this more true than on rubber estates' In the absence of the European managers during the wartime, a considerable tension between the Asian staffs, who had continued to run the estates for the Japanese, and the labourers had developed. The latter felt a profound mistrust of the former. After the British returned, the labourers were reluctant to accept

¹¹⁷ *ibid.*, pp 199 ff.

¹¹⁸ *ibid.*, pp 194 ff.

¹¹⁹ *The Times* Sept. 26, 1945. It is generally accepted that despite an awakening of political consciousness among Malaysians, a Malayan nationalist movement hardly existed towards the end of 1945.

control by the Asian staff, and sometimes staged lightning strikes and assaulted conductors or clerks.¹²⁰

Another source of constant irritation among the estate workers was the disparity in wages received by Chinese and Indian estate labourers, a situation that persisted under the unsettled conditions of the immediate post-war period. For instance in Ulu Langat, Indian tappers received between \$1.30 and \$1.50 a day, whilst Chinese tappers were paid a maximum daily wage of \$2.23.¹²¹ While Chinese workers could exploit the favourable employment situation in which their employment under the pre-war contract system had much been reduced (and additionally many of whom had an extra-earning through planting vegetables and cash-crops), Indian estate labourers were 'undernourished, clad in rags, poorly housed and poorly paid'.¹²² The second form of disparity in wages, as explained earlier, was caused by the wage policy of the BMA and the Malayan Union, which only retained the 1939 basic wage level for government employees.

The chaos in the aftermath of the war had fuelled the rapid rise of labour movement. Throughout the BMA period especially during the first half of 1946, there was 'a spontaneous trend towards strike action and unionisation', for example, the development, independent of external political influence, of Indian Labour Unions in many estate areas.¹²³ However, the trade unions were usually established by MCP or MPAJA members, and without the leadership of 'the politically conscious, vanguard organizers of the MCP' and their disciplined organisation and coercive power, the spontaneous movement by the labours themselves would not have formed anything like the organised force that the strikes throughout 1946 and 1947 constituted. During the Interregnum after the Japanese surrender on 15 August 1945, and before the arrival of

¹²⁰ Stenson, *op.cit.*, pp. 94-5.

¹²¹ Harper, *op.cit.*, p. 131.

the British troops at the beginning of September, the real occupying force in almost all inland towns in Malaya was the MPAJA. The MCP's desire to obtain freedom of political activity led them to seek official recognition. Thus, the MPAJA cooperated with the BMA to regain the control of the countryside before voluntarily, yet reluctantly, disbanding in December 1945. Thanks to the assurance from the British authority that the MCP could operate openly, the MCP, while its top leaders still remained underground, established offices in all major towns, cities and states of Malaya and organised the various front organisations. The Communists initiated the revival of the pre-war GLUs in the towns: the Singapore GLU was inaugurated in October 1945, as was the Pan-Malayan General Labour Union (PMGLU) on 15 February 1946. These organisations were 'by far the most successful and by far the most important for MCP policy'.¹²⁴

The European staffs were only gradually coming back, and thus close supervision of workers on the estates was not yet possible. The Police, whose morale had been badly run down during the Japanese occupation and who were showing slow processes of recovery, could not effectively address the unrest.¹²⁵ At the end of October 1946, when free immigration of Indian labourers to Malaya was finally banned, workers were still scattered throughout the country because of the dislocation during the war, and also due to the collapse of old systems for the recruitment and control of labour. The labourers were now free to move to seek jobs with better wages, and thus well informed about employment conditions. All these factors greatly improved the bargaining power of the labourers,¹²⁶ who became increasingly determined to acquire more control over their

¹²² Stenson, *op.cit.*, pp. 120-24.

¹²³ *ibid.*, pp. 99-100.

¹²⁴ *ibid.*, pp. 54-63.

¹²⁵ *ibid.*, pp. 90-91; Short, *op.cit.*, p. 27.

¹²⁶ Stenson, *op.cit.*, pp. 83-4.

own affairs.¹²⁷ Eventually workers' rejection of the strict discipline and of managerial paternalism, on which the pre-war employment system had been based, clashed with the major employers who were determined to resist substantial reform of the employment system and wage increases.

In 1947 rubber production was coming back to the pre-war level, and there were more consumer goods available together with other signs of the economy improving. The living conditions of labourers, however, hardly improved because of the high living cost. Malayan workers, who had welcomed British return with expectation of a rapid economic recovery to its pre-war level, were dissatisfied with the ineffective government's economic policy, and the consequent hardship imposed on them. The MCP used these general economic grievances to infiltrate the ranks of the much-agitated labourers.¹²⁸

The managers and planters granted concessions in response to the strikes and demonstrations throughout 1946. They also turned toward the government and put forward strong demands to address the agitators. Government was, however, reluctant to intervene in labour protests, which to them seemed to be more like industrial disputes caused by the disparities in wages than Communist-instigated political action. Gent believed that managers contributed substantially to the strike wave by enticing labour from each other's estates, thus creating a situation in which wage rates varied widely.¹²⁹ During the strike wave of January-February 1947 the demands from the employers to assert firm measures to control labour was again rejected by the Governors of Singapore and the Malayan Union.¹³⁰ Employers argued emphatically that the country was 'in

¹²⁷ Harper, *op.cit.*, p. 134.

¹²⁸ *ibid.*, p. 134.

¹²⁹ PRO CO 537 2173 Gent to Creech Jones, 24 June 1946, cited in Harper, *op.cit.*, p. 134.

¹³⁰ Straits Echo, 4 March 1947, cited in Stenson, *op.cit.*, p. 157. McKerron, the Acting Governor of Singapore, refused to accept that trade unions alone were responsible for the strikes.

serious danger' and that 'if political agitators were allowed to continue their "subversive programme" the country's rehabilitation would be seriously delayed'.¹³¹ Gent still rejected taking any form of arbitrary action against political agitators or strikers, but emphasised the necessity for negotiation, compromise and 'educative action' aimed at both employers and employees.¹³²

Business was further alarmed by the considerable labour unrest, violence, intimidation and lawlessness throughout Malaya. 'Many of these strikes were unnecessarily disruptive.' Gradually the economic motive or worker's welfare was neglected, but 'the strike itself was of primary importance', and the workers became 'an organizational tool to be forged and manipulated by PMGLU for the long-term policy objectives of the MCP'.¹³³ The unions used coercive methods to reinforce their authority over the workers and also to collect funds, which were the main financial source for the MCP. The disorder was exemplified in the most intense dispute of all, at Kedah. The Kedah incident began amongst Indian labour on the Harvard and Dublin Estates from July and August 1946, but by early 1947 the strikes had spread throughout South and Central Kedah. It was only in April 1947 the Police intervened to arrest the main leaders and reinstated law and order, albeit by means of opening fire on a crowd at the Dublin Estate. Harper and Stenson have identified this incident as a turning point in labour relations in Malaya, which 'signalled a new period of collusion between employers and the security forces'.¹³⁴ Stenson explains further that the Kedah incident contributed to convincing the officials of the significance of the role of the plotting of political agitators

¹³¹ *Strait Times*, 7 Feb. 1947, and T.U.A., 4/1946, Employer representation to Gent, 3 Feb. 1947, cited in Stenson, *op.cit.*, p. 156.

¹³² Gent believed that mere membership of the GLUs or participation in strikes should not be subject to punishment (PRO CO 537 2166 FF8-12 minute 3 of the 6th Governor-General's Conference in Singapore, 11 Mar. 1947). The colonial government was 'accountable to a socialist administration in London and Governor Gent took this very seriously': Harper, *op.cit.*, p. 136.

¹³³ Stenson, *op.cit.*, p. 107.

in the widespread unrest. As a result, 'stronger official backing was given to the enforcement of the trespass law as well as to police action against all forms of intimidation and violence', and this contributed to the subsequent 'gradual ending of the period of almost completely uncontrolled union activity on estates'.¹³⁵

Indeed strikes subsided after the Kedah incident. There was, however, no established uniform view on labour relations on the part of business and officials. Instead each of the two sectors showed intransigence in avocation of its own strategy. As the rubber price dropped during mid-1947, managers were alarmed by rising production and labour costs, and thus began to ignore demands from the estate unions, and 'to exercise their powers of dismissal' and to seek 'eviction orders to expel labour activists from their properties'. This hardening of attitude brought severe criticisms from officials, on the other hand it helped to establish strong authority over the labourers.¹³⁶ By then the economy had improved, and the labour market was re-established along 'the pre-war, paternalist, closed-society estate system'. The employers had been assisted in achieving such an objective by the fact that the estate and mine workers were not 'a genuinely self-conscious proletariat' and were thus not 'related to the owners and managers solely by the economic nexus'. This enabled a situation to arise in which, once the normal routine of work was re-established, there was a revival of the close social ties between the employers and the workers.¹³⁷

By 1948 production of rubber had reached its pre-war level, and the level of tin production was also improved. By mid-1947 the food situation had improved to such an

¹³⁴ Stenson, *op.cit.*, p. 161; Harper, *op.cit.*, pp. 134-5. The particular quote is from Harper, p. 135.

¹³⁵ Stenson, *op.cit.*, p. 161.

¹³⁶ 'Brazier lambasted the planters for their short-sightedness; Gent told the Colonial Office, that many of them should have retired before the war and were "lost and pig-headed" in the new conditions.'; PRO CO 537 2173 Gent to Bourdillon, 24 June 1947 and MU Labour/158/47 Brazier to Commissioner of Labour, 19 Sept. 1947, cited in Harper, *op.cit.*, p. 138

¹³⁷ Stenson, *op.cit.*, pp. 161, 200.

extent that the government scrapped internal controls on the movement of rice, and in 1948 its production had reached pre-war levels.¹³⁸ As imports of rice did not recover sufficiently, the general mass of the population, particularly the wage earners, still found the cost of food high.¹³⁹ Yet the gap between the price of rice and wages narrowed, relatively speaking, and there were also more goods available from an alternative source, the black market. As a result the economic conditions, even for the low-wage labourers, improved in comparison to the period immediately after the end of the war. Despite that, the MCP's activities continued, as their ultimate aim to create a Malayan Republic remained unfulfilled, and in these circumstances 'the economic struggle was strictly subordinated to the political'.¹⁴⁰ In any case, violence and lawlessness were escalating from another direction, the frontier. The colonial governments had been trying to assert their respective authorities over the squatters who were living on the fringe of the forests, and were evading the law to the irritant of the Malays and the state governments. The MCP was also anxious to mobilise the squatters who were also the source of labour for the estates and mines near where they squatted. The situation was especially bad for the Chinese estate and mine owners whose premises were located in an isolated area, and thus who were subject to continuous pressure 'from the MCP intimidators based on the surrounding jungle'. They eventually brought in the members of the Chinese nationalist, anti-Communist, KMT and its youth association in an attempt to control their workers and to resist their seemingly endless demands, which further escalated violence. These intensifying conflicts, between the Chinese estate and mine owners, and the MCP and the MCP-led workers, as a matter of fact, developed quite separately from those between the

¹³⁸ Kratoska, *op.cit.*, p. 343.

¹³⁹ The price of rice in 1948 was 'over five times as much as it had in 1941', whilst the standard wage rate in the rubber industry rose to less than three times that of 1941, from \$0.55 a day only to \$1.30 a day in 1948: Federation of Malaya Annual Report, 1948, p. 46, cited in Stubbs, *op.cit.*, p. 21.

¹⁴⁰ Stenson, *op.cit.*, p. 206.

MCP and the colonial government. The internecine conflicts within the Chinese community and their turning toward the secret societies for backing can partly be seen as a result of the resonance of the traditions of Chinese society in which there had been a close connection between commercial powers and secret societies. However, it was also partly a reflection of the contemporary political developments in China, where the civil war between the Communists and the KMT was in raging. In Malaya, MCP shootings of KMT strike breakers, contractors and the heads of labourers resulted in counter-attacks, and *vice versa*. These incidents were more frequent in Malacca, large parts of Johore and Pahang, and Perak — the so-called ‘areas of former MPAJA strength’ — where the labourers had virtually been taken over control by the MCP. The MCP’s struggle to control the estate and mine workers accentuated the existing divisions of the Chinese community, resulting in more violence which was to some extent redirected to their conflicts with the European sector of the estate economy. In these circumstances not only the British planters and managers but also Chinese staff were the victims of violence. The alarming incidents, particularly those in Perak, challenged the colonial government, and undermined its function of maintaining law and order. This crisis of authority underlay the declaration of the Emergency.¹⁴¹

Conclusion

Economic hardships in post-war Malaya were the inevitable result of the war and of the transition from Japanese occupation to British rule. The difficulties that would arise out of the adverse economic conditions had been foreseen during the planning period, but due to the abrupt end of the war (it had been the belief among the wartime planners that the war would end in November 1946), there was no detailed economic planning in

¹⁴¹ *ibid.*, pp. 149, 194-97, 222; Harper, *op.cit.*, pp. 94-148.

drawn up other than that for relief supplies and for the restoration of the economic infrastructure. In addition, the SEAC was not fully equipped to deal with the economic problems because of lack of manpower and resources.¹⁴² Relief and rehabilitation works were often retarded by shortages of supplies and by the disruption of communications and shipping. Of course, these obstacles were beyond the control of the authorities, and yet the officials worked remarkably hard to establish at least some level of normality in the face of what might be seen as 'impossible' circumstances. The British government's initiative on the provision of food and its distribution, through organisations established under auspices of the state, especially the Ministry of Food, and through the office of the Special Commission, was invaluable in alleviating the food situation. However, the extreme shortages of food and consumer goods were not easily rectified, and, indeed, they continued. The consequent economic difficulties served to destabilise Malayan society, the worst affects being felt by the poorest sections of society. This situation was a key factor in the proliferation of demonstrations, work stoppages and strikes, together with the fact that the labour protests were systematically organised by the MCP and its affiliates. Stubbs, Stenson, and Harper charge the government of being responsible for the continued hardship in Malaya during the rehabilitation period. Stenson also criticises the government's inability to deal effectively with the MCP and militant organised labour. My analysis in this chapter is in accord with the view that the nature of the government's relief and rehabilitation work was inadequate. There was also a lack of enthusiasm amongst officials for the implementation of schemes to improve labourers' welfare, especially in situations where they had to confront the attitudes of combative employers. From the business point of view, they saw the officials and their complacency as an additional burden over and above the problems that they experienced in their

¹⁴² PRO CAB 21 1954 F5093/87/61 despatch from M.E. Denning to Bevin, 25 Mar. 1946.

attempts to get a disciplinary grip on their workforces. Indeed they saw the role of the officials as being one that exacerbated the difficulties over imposing labour discipline. Nevertheless I argue that neither economic grievances nor the lack of success of governmental policy was solely responsible for the general instability of the post-war Malayan society. There were other major difficulties that made the situation extremely difficult, not least the strong presence of the MCP and success of its activities. It is evident, from the fact that the improving economy in 1947 did not contribute to a decline in the MCP's activities, that the political strength of the Communists cannot simply be put down to the presence of conjunctural economic difficulties. On the contrary, there were deeper political reasons for the weight of the MCP presence and this presence was given further clout by the willingness and the ability of the MCP and the unions to resort to coercive actions against workers, many of whom would not have otherwise participated in militant activities. The conflicts between the MCP and the Chinese employers, that latter being backed by the secret societies, also merged with the MCP's struggle against the colonial government and the British section of the estate economy, increasing violent incidents in the process. On the other hand, it is undeniable that economic improvements failed to improve the living standards of the labourers because of the continuous disparity between their wage levels and the high price of goods. Additionally, by then the British plan to establish unified multiracial society in Malaya through restructuring the constitution had already been abandoned. Instead government policy merely served to reaffirm the old partnership between the British colonial authorities and the Malays, leaving little room to manoeuvre for the Chinese and Indians. Thus constitutional changes failed to eliminate communal conflicts in society. In such circumstances the cause of the instability and disorder of post-war Malayan society cannot be attributed to one specific factor. Instead it ought to be seen as the result of

presence of a cluster of adverse circumstantial features that arose in the aftermath of the war and Japanese occupation. The general economic hardship, the constant strikes and demonstrations, and the inefficient and ineffective nature of the government's policy towards the MCP and its insurgent activities all took place against the background of the persistence of already existing communal conflicts in society. All these aspects contributed to the general instability and disorder that marked the nature of the rehabilitation period in Malaya.

Chapter. 4 Interactions between State and Firm in the Early Years of the Post-War Period

The complexity of the Malayan issues in the post-war period particularly with regard to the relations between Malaya's dollar earning capacity and domestic economic difficulties in the metropolitan government has inspired much debate. Martin Rudner interprets British post-war strategy in Malaya as being one that sought to continue to exploit the people in the colony, particularly at the expense of the weakest section of the society, for instance, the Malay smallholders. Focussing his research on British post-war policy in the Malayan rubber industry, Rudner concluded that Britain endeavoured to re-establish the pre-war dominance of the British estates in the Malayan rubber industry. Systematic discrimination against the poorest Malay smallholders by the Malay aristocrats who used hereditary discrimination as a way to conserve their privilege persisted, even after independence. While Rudner shows almost a complete lack of interest in the Emergency and its effects on commodity production, his studies concentrate on the pre-war administrative discrimination of the Malay smallholders regarding, for instance, the rubber restriction scheme, and the post-war discrimination in terms of replanting, financial assistance, and the provision of supplies. Nor was Rudner interested in the interaction between government and business. He portrays the British metropolitan government, hardly swayed by an interruption of business, as the villain responsible for the exploitation of the colony.¹ Although not stated explicitly, his work regards British enterprises in Malaya as an entity that merely served and pursued the

¹ M. Rudner, 'Rubber Strategy for Post-War Malaya, 1945-48', *Journal of Southeast Asian Studies*, vol. 1, ISS. 1, 1970, pp. 23-36; 'A Reply to P.T. Bauer's Comment on Post-War Malayan Rubber Policy', *Journal of Southeast Asian Studies*, ISS. IV, 1973, pp. 300-304; 'Malayan Rubber Policy: Development and Anti-Development during the 1950s', *Journal of Southeast Asian Studies*, 7, 1976, pp. 235-259; 'Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy', *Modern Asian Studies*, vol. 15, no. 1, 1981, pp. 83-105.

government's interests under the protection of the latter, rather than as an independent influential entity that was capable of surviving the difficult times otherwise.

Nicholas White, as distinct from Rudner, refuses to accept government as a homogenous entity. He argues that government was 'often just too dispersed, representing too many varied viewpoints' within departments, for examples, the CO, FO, Board of Trade, Treasury and the Bank of England, to have a coherent voice to support business.² His studies on the relationship between government and business seek to identify the nature of these relations during the rehabilitation period and he concludes that their mutual interest in establishing British business in the Malayan extractive industry was to a great extent limited by the continuing lack of cohesion between them upon, particularly, provision of finance.³

My own findings in this chapter concur with White's view that there were conflicting interests and considerations within the Departments of the London government, especially between the CO and the Treasury, as there were between the metropolitan government and the Malayan government. On the one hand the British government focused on how to continue the dollar earnings in Malaya, but on the other financial assistance for the Malayan government and British firms in the extractive industries was rejected on account of the consideration that the reconstruction of the domestic economy had to take priority. British businesses' attempts to influence government on various issues regarding the rehabilitation of the Malayan extractive industries, such as rubber price fixing, taxation and financial assistance, and the provision of supplies, were often frustrated by lack of cooperation and of assistance on the part of government. Neither was the profitability of private firms brought in as a factor for

² White, *op.cit.*, p. 16.

³ N.J. White, *Business, Government and the End of Empire: Malaya, 1942-1957* (Oxford, 1996).

consideration. This chapter explores further the way in which business continued to exert their influence with regard to the resumption of British business interests. In the process it will also be shown that the British government's actions were limited by the domestic economic difficulties, rather than any lack of intention to assist British firms in the Malayan extractive industries. I also examine here the driving forces that played a determinant role in shaping the nature of business-government relationships, such as the contribution of British businesses in Malaya to the dollar earnings, and its limitations. The issues of financial assistance, rubber price fixing, taxation and the provision of supplies are considered in relation to Rudner's claim that the British government's post-war rubber strategy was to re-establish the pre-dominance of pre-war British estates companies.⁴ The difference between the wartime planning undertaken by government and business is also assessed in the process of explaining the difficulties involved in implementing their plans during the rehabilitation period.

4.1 Dependencies First Policy

In re-establishing trading activities the British gave priority to the British Dependencies to the South of the Tropic of Cancer. About three quarters of British trade interests were South of the Tropic, and at least half were in the British Dependencies within that area. Their early rehabilitation would bring economic advantages and help achieve political stability, upon which trade relations and the well being of British local firms were dependent. Rehabilitation would also be advantageous to the British economy, as exports of raw materials from the area to the USA would support sterling exchange with dollars. The Foreign Office concluded therefore, that efforts towards early recovery of the British

⁴ The issue of Replanting is not considered here because, firstly, I find that it was rather the replanting scheme of 1952 that affected the productivity and future of the industry than the 1947 scheme, and

Dependencies were likely to be most effective and that rehabilitation would have the greatest effect on the British economic position in the Far East.⁵

On the other hand, the British leadership, which never considered the Southeast Asian countries individually, because of their physical closeness and their close strategic and economic links, did not think the economic improvement within the British territories sufficient. The balance of economic development in the whole region was significant, for instance, for the entrepôts in Malaya such as Penang, Singapore, and Malacca, which largely depended on trade with Indonesia, Siam and other neighbouring countries.⁶ Apparently, without the latter's primary products and good market prospects, even a successful operation of rehabilitation in Malaya could not do much good.

4.2 Interactions between State and Firm with Regard to Early Resumption of British Business Interests in Southeast Asia

There is much correspondence between the British government and British enterprises in SEA, stressing the significance of early resumption of British commercial interests as a prerequisite to ensuring a strong position in the market. For example, British concerns in the Philippines maintained that the only way of obtaining a stake in the Philippine market in the post-war period, which had been known as an absolute US fiefdom, would be an early advance into the country. In early September 1945, the Secretary of the London

secondly, other issues dealt with here were more relevant and significant during the rehabilitation period.

⁵ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, pp. 3, 47, 50. The report (in p. 50) also concluded that a supply of British consumer goods there was a first necessity.

⁶ For instance, a good deal of Malayan dollar earnings were in respect of entrepot trade in Indonesian origin rubber and tin which were processed in Malaya for re-shipment to Europe and the USA. There are files emphasising of great importance to Malaya to retain her entrepot trade in Indonesian exports and imports: T 236 1292, T 236 2561, T 236 2647, PREM 8 1407, etc.

Committee of Representatives of British concerns in the Philippines sent a letter to the Department of Overseas Trade to emphasise the significance of the time factor:

If British trade is to retain or increase the share it has hitherto held in the Philippines and not lose all to American enterprise, it is absolutely essential that the British firms interested in the Islands pre-war, be enabled to get their staffs back there with the least possible delay.⁷

Long before the end of the war, in January and February 1945, British businessmen with interests in the Philippines had already organised themselves. They formed the so-called Manila party and requested that the FO assist them in their returning journey to the Philippines. However, without confirmation from Washington that the US authorities favoured their journey, the FO could not give them any assurance.⁸ The difficulties anticipated in the early advance in the Philippines were basically due to the fact that it was required of British subjects who wished to return that they must obtain a US military permit and visa. Moreover, quota restrictions on the return of businessmen to the Philippines discriminated against British businessmen in favour of Americans.⁹ Their position was further worsened by British manufacturers' inability to supply goods and to improve on deliveries for export.¹⁰

Despite the urgent need for business to re-enter SEA, this was not feasible in some areas due to the difficult conditions, mainly caused by the political instability. In particular, British firms and managing agencies in the NEI, such as the Anglo-Dutch

⁷ PRO FO 371 46376 F6980/4025/61 letter from the Secretary of the London Committee of Representatives of British Concerns in the Philippines to Department of Overseas Trade, 3 Sept. 1945.

⁸ PRO FO 371 46335 F1276/182/61 FO to Washington, 3 Mar. 1945.

⁹ PRO FO 371 46376 F7622/4025/61 Washington to FO, 28 Sept. 1945.

¹⁰ PRO FO 371 46376 F8176/4025/61 letter from Fred Wilson & Co., Ltd, Manila, to FO, 18 Sept. 1945, regarding supply and delivery time of British Diesel Engines that used to have a very good market in the

Plantations of Java, British-American Tobacco, Harrisons & Crosfield, Unilever, and Shell, were anxious to obtain an assurance of protection of their properties. Being deeply concerned with the perceived result of serious damage and loss to their interests in the absence of well directed measures for the protection of British interests in general, the directors of the firms above wrote to the Foreign Secretary, Bevin, to ask for every help to at least despatch their experienced people to the NEI.¹¹ The significance of an early investigation into the nature and extent of war damage to business interests before, and in preparation for official demarches was better understood among business groups than in government circles. L.B.S. Larkins, a former Commercial Agent in Batavia, wrote to the Department of Overseas Trade; 'I wish to emphasise the importance of the time factor as others will be well off the mark when the time comes.'¹²

Some in the NEI pushed the British government further, asking the FO to be more active in its readiness for restoring trading facilities, and also to be prepared to negotiate the terms of war compensation with the Indonesian and Dutch governments on behalf of British business interests, and if not these, directly with the Japanese government.¹³ However, although the British government and its relevant Departments were in agreement with business, such a course of action was not yet possible due to the hostilities between the nationalist Indonesians and the Dutch.

As far as Malaya was concerned, the British government showed courtesy towards British companies and managing agencies with interests in rubber and tin in terms of re-

country, but was on the verge of losing 'an extremely lucrative market' unless British manufacturers improved supply and deliveries.

¹¹ PRO FO 371 46348 F8468/629/61 letter from the Directors of the Anglo-Dutch Plantations of Java, Ltd., British-American Tobacco Co., Ltd., Harrisons & Crosfield, Ltd., Lever Bros. & Unilever Ltd., and Shell Transport & Trading Co., Ltd., to Bevin, 10 Oct. 1945.

¹² PRO FO 371 46348 F3319/629/61 minute written by L.B.S. Larkins, O.B.E., formerly Commercial Agent at Batavia, which was sent by Lord Farrer, Department of Overseas Trade, to Sterndale Bennett, FO, 22 May 1945.

¹³ *ibid.*

entry to the country. The staffs in the industries were given priority in re-entering the country to inspect the war damage. Until its termination in November 1946, the SEAC — ultimately the Supreme Allied Commander, South East Asia — had power to permit, or not, the return of firms and personnel.¹⁴ Despite endeavours to provide the necessary facilities as soon as was practical, the effort was often distorted by the shortage of transport. By the end of November 1945, it was still not certain in most countries of the region when passages would be available. Somehow the CO initiated arrangements for civilians to apply for admission to Malaya, Hong Kong, North Borneo, and Sarawak. However the people who were directly related to ‘the interests of the territory as a whole’ (this requirement was initially a reference to the staff in rubber and tin industries) were given priority for entry, and ‘the equality of opportunity’ came second. Therefore, despite the admission of civilians into these territories being subject to the consent of the military authorities, the staff of rubber companies who were members of the Malayan Rubber Estate Owners’ Company and the Borneo Rubber Estate Owners’ Company, and the staff of tin companies represented on the Rehabilitation Committee of the Malayan Chamber of Mines, did not need to apply in writing to the CO.¹⁵

On the other hand, businessmen themselves were more pro-active than reactive to the rehabilitation work. Before the NEI were liberated, a few quite prominent British businessmen, who were evacuees from Java, worked for the Import and Export Department in the Royal Netherlands East Indian Commission at Brisbane in Australia.¹⁶ All industries were assumed to be making their own plans for the resumption of operations on the liberation of the territories when they were permitted to do so. The

¹⁴ PRO FO 371 46340 F2962/299/61 1945 H.A. Harding to S. Redman, War Office, 26 Oct. 1945.

¹⁵ *The Times*, 29 Nov. 1945.

¹⁶ PRO FO 371 46348 F4295/629/61 letter from Lord Farrer, Department of Overseas Trade, to Sterndale Bennett, 3 June 1945. The appointees were former rubber and tea brokers; each was employed

Malayan estate industry and the tin industry were also responsible for their own rehabilitation but, differently from other industries, on the understanding that they would receive all possible assistance from the British government. The CO welcomed the formation of a Rehabilitation Committee organised by each industry, and the representatives of private firms assisted the buying agencies of the Ministry of Supply; for instance, representatives from the two big smelting companies, the Straits Trading Company and the Eastern Smelting Company worked in the Ministry of Supply's tin purchasing agency. In addition, thanks to the support from the CO, a Committee of Inspection, composed of representatives of the rubber estate industry, tin mining industry, copra estate industry and oil palm estate industry, was sent to Malaya to prepare reports on the condition of properties.¹⁷

Government worked closely together with private companies but in retrospect this was probably more to do with the government's un-preparedness for assuming responsibility for the direction of economic affairs in the liberated SEA. As a result, the military authorities actively encouraged the involvement of businessmen who had previous local experience in civil affairs organisations. As the success or failure of their post-war business in the region largely depended on how quickly the economic and political conditions were brought back to normality, it was of mutual interest to business and government that the rehabilitation work should be completed with as little delay as possible.

by Gyselman & Steup, and Dunlop & Kolff, and a former Departmental Manager of Maclaine Watson & Co.

¹⁷ PRO FO 371 46340 F6023/299/61 memorandum by the Colonial Office on the Relief and Rehabilitation of Malaya, 27 Aug. 1945; *The Times*, 8 Dec. 1945 in PRO FO 371 46422 F10803/9327/61.

British private firms were particularly vulnerable during the war, and were easy targets because of their deep involvement in the extractive industries, normally located in the rural areas where the actual fighting was carried out. Although the form and degree of destruction differed from one firm to another and from region to region, destruction in general badly affected resumption of business.¹⁸ A deliberate and systematic programme of destruction was undertaken by the advancing and retreating Japanese soldiers, and also by the retreating Allies. Before evacuating Malaya and Singapore Commonwealth soldiers destroyed the bridges, engineers in the tin mines dynamited their mining dredges and planters set fire to their factories before slipping into the jungle to start fighting activities for the duration of the war. Managers in the oil fields in the NEI destroyed all facilities before retreating to prevent them being used by the advancing Japanese troops. As a consequence 'What the British had created was not merely being deserted; it was also being physically destroyed.'¹⁹

Apart from the physical destruction the greatest losses to British firms were of human resources. Most of the European managers and assistants who stayed behind were killed or interned (often dying in the internment camps because of maltreatment and malnutrition). Many junior officials, shopkeepers, planters, and engineers who did not flee fought alongside regular British troops, often proving to be more courageous. From 1943 onwards these forces were increasing in number and penetrated Japanese-held

¹⁸ In the banking sector, King's book on Hongkong and Shanghai Bank tells the chaotic situation aftermath the war in detail. Each branch was confronted with different difficulties in a various degree, and there were only three branches to survive, but still many officers in these three branches had been interned while others had joined the services. In addition to the loss of journals, the specific difficulties regarding resumption of banking business were mainly laid on the fact that civil requirements had often to take second place, on the timing of liberating staff, and the availability of transportation. Nevertheless the Head Office of the Bank in Hong Kong was re-established on 20 June 1946. Some re-opened, while some others permanently closed the branches. See F.H.H. King, Volume IV of the History of the Hongkong and Shanghai Banking Corporation: *The Hongkong Bank in the Period of Development and Nationalism, 1941-1984 From Regional Bank to Multinational Group* (Cambridge, New York, Port Chester, Melbourne, Sydney, 1991), pp 42 ff.

¹⁹ Woodcock, *op.cit.*, p. 230.

Malaya and Borneo establishing contact with the bands of guerrillas who were mostly Communist Chinese, and when they were captured, they were treated as prisoners of war and interned together with the soldiers.²⁰ Their situation is well described in the letters written by these businessmen to various Departments of the government at home and to the headquarters of their own companies. A letter from W.A. Robertson, a former Commission Agent in Java, to L.B.S. Larkins, formerly a Commercial Agent at Batavia, conveys some impression of the damage to personnel during the war as those who survived the camps were also broken in health. The letter seems to have been written just before the end of the Pacific War as the writer was not sure at that moment whether the prisoners (here he is referring to imprisoned British businessmen) were still alive. Robertson says that relatively few British businessmen and employees of firms were able to leave the country, and most of those left in the hands of the enemy would not be fit to carry on their work in the Tropics. The letter relates that the General Manager of Cable & Wireless Ltd. and the managers of other prestigious enterprises like B.A.T., Lever Brothers, Dunlop, P.&T. Lands, Harrisons & Crosfield (Java), MacLaine Watson & Co., Ross, Taylor & Co., Francis Peck & Co., Heatt & Co., Rowley Davis & Co., etc., were all imprisoned during the war.²¹ It could be suggested that the war experience of British private business interests in Java was similar to that of British business in SEA in general. Larkins sent a minute based on Robertson's letter to the Department of Overseas Trade in London to demand of the Department responsible for British subjects and enterprises

²⁰ *ibid.*, pp. 226-33. According to Woodcock (p. 232), most of them remained behind because of their sense of responsibility, pride and practicality. There are also some details of the hardship that the British civilians had to endure under the Japanese occupation. For instance, Sir Vandeleur Grayburn, the Chief Manager of the Hong Kong and Shanghai Banking Corporation, who was at first left free for administration sake, but eventually interned and died in prison. There are more examples of these unfortunate cases in *ibid.*, p. 227.

²¹ PRO FO 371 46348 F3319/629/61 extract from W.A. Robertson's letter (a former commission agent in Java) to Larkins, which was sent by Lord Farrer, Department of Overseas Trade, to Sterndale Bennett, FO, 22 May 1945 .

overseas that something should be done to ensure their well-being. The main reason for his plea was:

... we should not wish to see those very business enterprises which in the past have devoted their energies — particularly the agents and specialist importers — the furtherance of UK export trade, left in the lurch when business relations return to the Indies.²²

4.3 Rehabilitation of British Business Interests in Malaya

Rubber was introduced into Malaya as early as 1877. Demand then increased due to the rise in ownership of motor cars in the USA and the high requirement for rubber before and during the First World War. Interest in rubber production grew so fast that the acreage of land controlled by rubber planters in Malaya increased from around 2,000 acres in 1898 to 46,000 acres in 1905, to 541,000 in 1910, and to 2,181,000 in 1920. In 1920 Malaya already accounted for 51 per cent of world exports of rubber.²³ Although the fortunes of rubber production were almost entirely dependent upon the international price of rubber in the world market, in 1938 rubber already represented 47.8 per cent of the value of Malaya's exports,²⁴ and the USA was the biggest recipient by far, taking 40.84 per cent of the export by value.²⁵ Moreover Malaya produced approximately 29 per cent of the world's total output of tin in 1938, and the tin smelted in Malaya accounted for 16.9 per cent of the total value of Malayan exports in the same year. The

²² *ibid.*

²³ I. Brown, *Economic Change in South-East Asia* (Kuala Lumpur, 1997), p. 19.

²⁴ This estimation of rubber exports in Malaya includes both Malayan origin as well as exports from the NEI and other adjacent countries sent to Penang and Singapore for trans-shipment overseas.

²⁵ This is re-calculated from the figure of the destinations of Malaya's gross exports of rubber in PRO FO 371 46340 F9425/299/61 Unrevised First Draft of the Handbook paper on Malaya, Research Department of the FO, to Sterndale Bennett of Far Eastern Department, FO, 15 Oct. 1945, p. 9.

USA was also the biggest recipient of the product of the Malayan tin smelters, taking 55 per cent of it.²⁶ This figure shows not only the significance of extractive industries to the Malayan economy, but also the dollar earning capacity of Malaya prior to the Second World War. The whole picture in the post-war period was not so much different from that pre-war.

4.3.1 Wartime Planning for the Malayan Extractive Industries

4.3.1.1 State's Wartime Planning in Malaya: Reconstruction, Rationalisation and Efficiencies

In August 1942, just a few months after the fall of Singapore, the CO had already drafted a memorandum on the future of Malaya, Singapore and British North Borneo, and around a year after, by mid-1943, the War Office had set up a Malayan Planning Unit (MPU) headed by Major General R. Hone. The Unit was in charge of 'the dual task of planning for the civil affairs administration of Malaya during the period of military government, and also for the permanent civil administration after military rule ceased'.²⁷

In the meantime, the Treasury and the CO began to talk about the potential for the vitality of Malaya in meeting Britain's post-war strategic and economic needs, and the significance of re-establishing Malaya's extractive industries for the imperial economy. A successful re-establishment of these industries, and the consequent resumption of dollar-earnings, was a prerequisite for the recovery of the Malayan economy as well as that of the Empire as a whole. However, the British government's

²⁶ Mines in the neighbouring countries, such as Siam, Indochina, Burma, China, and even Australia, Alaska and part of Africa, sent their ore to Malaya to be smelted. The total tonnage of tin sent by these were responsible for around 29.5 per cent of the total tin smelted in Malaya: PRO FO 371 46340 F9425/299/61 Unrevised First Draft of the Handbook paper on Malaya, Research Department of the FO, 15 Oct. 1945, pp. 8-10.

²⁷ A.J. Stockwell, 'Colonial Planning During World War II: The Case of Malaya', *The Journal of Imperial and Commonwealth History*, vol. 2, no. 3, May 1974, p. 338.

intention was not only to restore the Malayan economy, but also to use the reconstruction era 'to rationalise the rubber and tin industries and maximise dollar earnings'. As far as the government was concerned, the highly disorganised and complex links between individual operating companies and the investment groups were responsible for the inefficiency of the industries. Rationalisation of the industries through restructuring the agency houses and the estates was therefore urged by many of those who staffed the Departments of government.²⁸

The CO was also concerned with the difficulties anticipated in the rehabilitation of the rubber and tin industries and the re-establishment of their production, particularly with the provision of supplies for these industries. It was a situation that would be further complicated by the shortages of food and other consumer goods, price control, anti-inflation measures, etc. The wartime planners in London had already foreseen a shortage of essential equipment and supplies during the post-war rehabilitation period. Thus, when the Rubber Growers' Association's Reconstruction (Malaya) Committee under the leadership of Sir John Hay proposed a scheme in 1944 to establish the Malayan Rubber Estate Owners Company (MREOC) in order to provide 'all estates operating in Malaya with necessary supplies and equipment', the CO gave full support to the business initiative and the proposals were soon forwarded to the War Cabinet for approval. While the MREOC as the government's agent would take steps to facilitate the earliest possible resumption of estate production in Malaya, the CO would assist the smallholdings with the requisites of production. There were also other exchange mechanisms, for example, the Rubber Produce Buying Unit and Tin Ore Buying Agency, operated under the

²⁸ White, *op.cit.*, p. 66.

auspices of the Ministry of Supply, whose role it was to purchase the available rubber and tin product immediately after the liberation of Malaya.²⁹

In the pre-war period, the British government had shown a rather *laissez-faire* attitude towards business interests overseas, while apparently there had been collaboration between the public servants and businessmen at the local level. During the wartime planning period there seemed to be a mutual understanding among the relevant Departments that it was time for the British government to get a grip on Malayan economic affairs. Moreover, an enabling state was required at the local level to guide economic development, which was regarded as too significant to be left to the British agency houses.³⁰ Later came the idea of appointing an Economic Adviser who could assist Malaya in the economic field, which the Treasury also supported in the belief that good management would lessen the inevitable commitments of Britain to the post-war rehabilitation work in Malaya.³¹ Thus, if the Malayan Union scheme was intended to bring out administrative efficiency by creating 'a unitary state embracing the Malay peninsula as a whole and a citizenship scheme applicable to all races',³² a parallel rationalisation of the industries was going to unleash Malaya's full economic potential.

It is doubtful however, whether a partnership between British business in Malaya and the British government in planning for reconstruction fully emerged, because government excluded business from the process of planning for the future of the Malayan economy. For instance, closer cooperation with business was prevented by the War Office's reluctance to admit any commercial representatives 'to even a partial knowledge

²⁹ Rudner, 'Rubber Strategy for Post-War Malaya', pp. 24-6.

³⁰ White, *op.cit.*, p. 68.

³¹ PRO T 220 52 IF 23/01 Economic Adviser for Malaya: letter from Sir G. Gater to Sir H. Wilson Smith, 313 Aug 1945.

³² Stockwell, 'Colonial Planning during World War II: The Case of Malaya', p. 333.

of their military plans'.³³ 'Moreover, it was outside the MPU that officials and politicians secretly planned Malaya's post-war economic order.'³⁴ Nevertheless, it may not have been government's intention to absolutely exclude business from the Malayan rehabilitation schemes drawn up by Whitehall. For instance the CO kept the special representatives of the Rubber Growers' Association (RGA), Sir John Hay and H. B. Egmont Hake, informed of developments, albeit under strict confidentiality.³⁵

4.3.1.2 Firms' Own Post-War Planning

Businesses had their own agendas with regard to post-war planning and development and to many of them reconstruction meant no more than a mere resumption of the pre-war business. Some recognised the significance of proposals for the rationalisation of industries, though motivated by different interests than those of government. Sir Clifford Figg, an RGA Council member and the CO's business adviser, for instance, believed that the Malayan rubber industry should be rationalised 'through the merger of smaller estates with bigger undertakings to strengthen "the standing of the plantation industry and its powers to negotiate as a whole and enabling much more to be done in the way of research and development"'.³⁶ However, leaders of the rubber industry itself were divided over the question of post-war rationalisation. On the one hand stood Sir John Hay who wanted to use the MREOC to rationalise the operation of the industry during the rehabilitation period, and on the other stood Egmont Hake, chairman of the RGA for 1944-45. In September 1943 Egmont Hake argued before the RGA council that 'new

³³ BoE, OV 65/3, note by Fisher, 17 Aug. 1943, cited in White, *op.cit.*, p. 65.

³⁴ White, *op.cit.*, p. 65. Unfortunately White does not clarify which organisation or who made the plan, if not the MPU.

³⁵ RGACM, 54, 6 Sept. and 4 Oct. 1943, cited in White, *op.cit.*, p.65.

³⁶ BoE, OV 65/3, note by Doll, London, 13 Apr. 1943, cited in White, *op.cit.*, p. 66.

policies and new approaches' were needed for the post-war development,³⁷ but argued that the industry had no need for further rationalisation since, 'the agency system had already streamlined the rubber industry's many units, and that the RGA and the United Planting Association of Malaya (UPAM) had achieved a degree of coherence in an otherwise 'excessively individualised industry'.³⁸ Some sections of the Malayan tin industry also suggested amalgamation of tin mines as a remedy for unity and efficiency, but any such plans were prevented by the rivalry between firms in that industry. The British investment groups were still 'keen to preserve the multiplicity of operating units which generated lucrative directorships, agency fees, and commissions', despite their recognition of the need to trim the over-wrapped organisational and operational structures within the system of the managing agency which increasingly became obstacles to the effective co-ordination of productive activity. After all, rationalisation meant giving up their lucrative earnings through the system of a managing agency.³⁹

4.3.2 Rehabilitation Period

4.3.2.1 Inspection of War Damage on the Malayan Extractive Industries

As it has been explained above, the British government recognised the importance of re-establishing the Malayan extractive industries as early as possible. The personnel of British firms in the Malayan extractive industries were therefore given priority for entry into the country for the purpose of inspection of war damage and rehabilitation of the industries. However, the companies themselves mainly initiated the practical work.

The Times of August 10 described the overall picture of the rubber situation in Malaya, presenting perhaps a more optimistic picture than that which might have been

³⁷ RGACM, 54, 6 Sept. 1943, TGA, London, cited in White, *op.cit.*, pp. 68-9.

expected. According to the report, no more than 5 per cent of the 3,500,000 acres of Malaya rubber plantation were destroyed by the Japanese who had made space on the land in order to enable an increase in food production or had just wantonly destroyed the plantations. *The Times* also reported the discoveries of a great mound of dumped rubber that could be immediately used for export and publicised the observation that most of the rubber trees had been left untapped during the war and would therefore produce a higher rubber yield than was usual. There were, of course, young trees which had been smothered by undergrowth, but according to the article, the rubber trees in general were relatively intact.⁴⁰

That particular piece of writing and others with a similar story line painted a bright picture of the general condition of the Malayan estate industry. However, it should be borne in mind that these articles covered only a few areas in the vast region, and the newspaper itself admits this.⁴¹ In fact, the capacity to produce rubber had been lost by both direct cutting down of the trees and the inattention to young or clonal seed trees. The estate houses were virtually stripped of everything that was removable and the looting of machinery and equipment was widespread.⁴² More importantly, the impact of the war threatened to throw the economic system of Malaya completely out of gear. Malaya was in Japanese hands for more than three and a half years and during that time nothing came into or went out of the country. Industry in most cases came to a standstill, records disappeared, vast numbers of the most active and intelligent members of the

³⁸ H.B. Egmont Hake, *The New Malaya and You*, London, 1945, p. 84, in White, *op.cit.*, p. 69. Also see *ibid.*, p. 90, fn. 29.

³⁹ White, *op.cit.*, pp. 66-70.

⁴⁰ *The Times*, 4 Sept. 1945. J.M. Baber, Chairman and Managing Director of Alor Pongsu Amalgamated Estates, wrote *The Financial Times* from Kuala Lumpur to correct the correspondents' statement that 'only a small number of trees were tapped': *The Financial Times*, 16 Aug. 1949.

⁴¹ *The Times*, 4 Sept. 1945. It was true that 'some estates were practically unaffected while in other areas complete estates were cut out.': PRO CO 825 86/1 memorandum for Commonwealth Conference, London, Sept. 1950.

population were removed, and many of them did not survive.⁴³ In particular, communications were difficult, if not impossible, as a result of the destruction of many rail and road bridges. There was also a vast labour shortage, and hardly any field of economic activity was not adversely affected by this. For instance, according to the local shipmasters there was a shortage of labour at every level, and the shortage of both mundane labour and of experts with local experience resulted in an inevitable lack of centralised control. In addition, there were insufficient wages and food for Asian labourers who were generally in a weak and undernourished condition after the Japanese occupation.⁴⁴ In the rubber industry, there was also little or no labour immediately available at the plantations. Moreover, the particular difficulties anticipated in the industry lay in the field of plantation water supply and distribution, the treatment of latex, local transport, etc.⁴⁵ In contrast to the impression given by some articles in *The Times*, the FO, CO and DO files report massive destruction on the estates. The situation for the resumption of business in general was extremely grim.

In spite of the anticipated difficulties, the Rubber Growers' Association Commission completed its report on the Malayan rubber industry (which also covered British North Borneo and Sarawak) by mid-October, and gave it to the Military Administration that was primarily responsible for the work of rehabilitating the region.⁴⁶ Yet it is not certain how accurate and detailed the report was, because ordinary rubber

⁴² PRO CO 825 86/1 memorandum for Commonwealth Conference, London, Sept. 1950.

⁴³ PRO T 236 3301 memorandum on the Federation of Malaya for Commonwealth Conference, London, Sept. 1950. See T 230 199 copy of The Colombo Plan for Economic Development in South and South-East Asia, London, Oct. 1950, for the details on physical ravages of the war, and those of economic dislocation and inflation, and political and social disturbances aftermath.

⁴⁴ *The Times*, 16 Aug. 1945.

⁴⁵ *The Times*, 4 Sept. 1945.

⁴⁶ *The Times*, 16 Oct. 1945 The newspaper doesn't include the copy of report. There are two sources where the copy might be found: first, The Tropical Growers' Association, London Rubber Growers' Association RGACM 54-70 council Minute Books, 1942-61, and Arkib Negara Malaysia, Kuala Lumpur, the Federal Records in British Military Administration 1945-46 (this idea is based in the bibliography of White, *op.cit.*, pp. 303-04).

planters (and mining executives) were not allowed to return to Malaya until the beginning of November.

The effects of the war on the tin industry were much more serious than in rubber for a number of reasons. Firstly, both sides deliberately destroyed the heavy equipment used in the mines, and they could not easily be replaced because production lines in the western countries had been stopped for several years due to the transformation of heavy industry to war production. Secondly, the mines were heavily dependent on regular supplies of fuel, electricity, water, power etc., and a resurrection of sufficient acquisition levels of these supplies was not feasible in the immediate future. Thirdly, as in other fields, it was almost impossible to expect a smooth supply of labour immediately after the war, though the labour in some of the mines was working almost to the end of the war under Japanese instruction, and were thus not so scattered as those in the rubber plantations.⁴⁷

Some engineers from the tin industry were already due to arrive in Malaya on 29 September 1945. However, the Board of the London Tin Corporation was not able to give any news about the condition of the mines and equipment until November. *The Times* explained that conditions in Burma were not yet suitable for an inspection, and that the Siamese government was not responding to their request for an inspection because the two governments were still technically at war.⁴⁸ Later in November the Colonial Office tin mining expert arrived in Malaya to work on a survey of the industry. This is comparable with the early completion (by mid-October) of an inspection by the RGA, and it is not certain why an early report could not be made by the industry itself.

⁴⁷ *The Times*, Sept. 17 1945. See PRO CO 825 86/1 memorandum for Commonwealth Conference, London, Sept. 1950, for the detail of damage (for instance, the scorched earth policy during the withdrawal in 1941-2) and poor maintenance of the mining equipment.

⁴⁸ *The Times*, 29 Sept. 1945.

4.3.2.2 Assistance by the British Military Administration for Malaya for the Rehabilitation Work

Along with the constitutional changes in Malaya, the British policy-makers also made plans to rationalise the Malayan extractive industries so that a 'new economic order would accompany the new political order for Malaya'.⁴⁹ Plans devised in the metropole were being implemented at the local level under the Military Administration. Although the Military Administration was 'not directly concerned with the revival of the rubber and tin mining industries', it was expected to give considerable assistance in providing facilities, for instance, for Inspection Committees (organised by the industries themselves) to survey plantations and mines.⁵⁰ In the meantime, Mountbatten, the Supreme Allied Commander South East Asia, was reminded that Malaya was the principal contributor to British dollar resources, and told to assist the inspection teams to enter and complete their task.⁵¹ In addition, the Labour Department of the Administration started moving the sick from the rubber estates to the hospitals, and employed the rest in maintenance work on the estates, pending the return of the estate managers.⁵² A scheme was also set up under the Administration's initiative to clear and repair the damages before the planters' arrival, and to arrange army tools and engineering equipment to enable the tin mines to undertake essential preliminary rehabilitation work.⁵³ Inspection Committees for the copra and palm oil industries were also given facilities for surveying estates and plantations. The Administration also conducted a survey of rice mills, and loans were made to the timber and pineapple-

⁴⁹ White, *op.cit.*, p. 67.

⁵⁰ Donnison, *op.cit.*, p. 261.

⁵¹ PRO WO 203/5300 Telegram from War Office to SACSEA, 11 Oct. 1945, cited in White, *op.cit.*, p. 65.

⁵² Donnison, *op.cit.*, p. 159.

⁵³ *The Times*, 6 Nov. 1945.

canning industries.⁵⁴ Large construction programmes to repair roads, harbours, ports, factories were undertaken in order to create conditions necessary for the resumption of normal economic activities.⁵⁵ At the same time the Military Administration handled imports of relief and of technical supplies, while retail distribution of the relief supplies was handled by several commercial enterprises, previously operating in Malaya, then selected and 'sponsored' by the Administration, through a Supplies Distributing Unit.⁵⁶

4.3.2.3 Rehabilitation of Malayan Extractive Industries and Malayan Dollar Earning

During the inter-war period Malayan rubber was the largest single US dollar-earning export from the Sterling area and would continue to be so in the post-war period.⁵⁷ Thus, the wartime planning on rationalisation of the rubber and tin industries was ultimately aiming to ensure that these industries would continue to earn dollars, and thus play a vital role in the defence of sterling. By 1946 the rubber industry was operating at 74 per cent of its 1940 production capacity, thanks to the Malay smallholders who achieved production levels of 108 per cent of 1940 levels in comparison to the estates who were only producing at 52.3 per cent of 1940 levels; by 1947 rubber production reached its pre-war level of production.⁵⁸ However, the position of the tin industry and

⁵⁴ Donnison, *op.cit.*, p. 262-62.

⁵⁵ Kratoska, *op.cit.*, p. 306.

⁵⁶ See Donnison, *op.cit.*, p. 258 for the list of the firms.

⁵⁷ Rudner, 'Rubber Strategy for Post-War Malaya', p. 23.

⁵⁸ PRO T 236 3301 memorandum for Commonwealth Conference, London, 4 Sept. 1950, p. 6.

RUBBER PRODUCTION

(In tons)

Year	Estates	Small-holdings	Total
1940	331,589	212,726	544,315
1941	307,424	188,002	495,426
1946	173,515	229,692	403,207
1947	359,865	285,364	645,229
1948	402,907	294,071	696,978
1949	400,009	270,248	670,257

its rehabilitation was still grim. Tin production in 1946 was only of 10.5 per cent of that in 1940, and 33.5 per cent of the pre-war level in 1947, and 68.1 per cent in 1949. While gravel pump mines, normally owned by the Chinese, went on relatively smoothly, achieving 77.5 per cent of their pre-war operation rate by 1949, 73.8 per cent of dredging, mainly run by western firms, was in operation.⁵⁹ Nevertheless, Malaya's net contribution to the dollar pool was already US \$118 million in 1946. This compared to US \$37 million from the net contribution of all the other colonies combined.⁶⁰ Although both the Malayan government and private firms struggled to finance their rehabilitation work, still Malaya's dollar earning capacity continued to grow throughout the Attlee era. According to the 1948 forecast, there were only four really large dollar earners among the colonies, Malaya, the Gold Coast, Gambia, and Ceylon; and of these Malaya was overwhelmingly the greatest. The 1948 forecast gave the FO some guidance as to Malaya's significance as a dollar-earner:

The forecast for 1948 was that the Colonies (which then included Ceylon) as a whole would have a net dollar surplus of \$ 178 m,

⁵⁹ It should be noted that the tin industry never recovered its pre-war production rate. The Smelting industry, the majority of which was run by British enterprises, was also badly affected by the shortage of steel; the slow delivery of electrical equipment and refractors for furnace walls and floors; and more fundamentally, by inadequate electricity supply, transport facilities, cargo handling.

PRO T 236 3301 memorandum for Commonwealth Conference, London, 4 Sept. 1950, p.7.

CATEGORIES OF MINES IN OPERATION

Year	Dredging	Gravel Pump	Hydraulic	Other methods
1941	103	668	31	160
1946	18 (17.5 %)	102 (15.3 %)	23	73
1948	67 (65.1 %)	464 (69.5 %)	22	80
1949	76 (73.8 %)	518 (77.5%)	19	73

PRODUCTION OF TIN

(In long tons)

Year	Production of Tin
1940	80,651
1946	8,432 (10.5 %)
1947	27,026 (33.5 %)
1948	44,815 (55.6 %)
1949	54,910 (68.1 %)

Percentage added by the author

⁶⁰ Stubbs, *op.cit.*, p. 18.

and of this Malaya's contribution was expected to be no less than \$ 172 m. In fact, it looks as though Malaya's net earnings in 1948 were about \$ 230 m (including Singapore's entrepot trade).⁶¹

As the Malayan extractive industries were the main dollar earners, there was a certain appreciation of the contribution of these industries to the UK economy. H. McNeil, the Minister of State, emphasised:

It would clearly be disastrous if Malaya lose one of the principal sources of vital raw materials, as a result of which the economy not only of the UK but of the US also would suffer very severely.⁶²

According to the document, *British Policy in the Far East*, published by the FO in October 1951, the dollars that Malaya earned were 'of an importance roughly equal to that of two thirds of UK exports to the US of America, and Canada'.⁶³

⁶¹ PRO FO 371 76049b F5704/114/61 letter from H. McNeil, Minister of State and UK Delegation to the United Nations, to C.P. Mayhew, Parliamentary Under Secretary, 2 Apr. 1949.

⁶² *ibid.* This sort of contribution of the colony to the metropolitan economy is also applied to the economic relations between the NEI and The Netherlands. Reid states that the NEI alone gave the Netherlands a status of a major power. Despite the relatively open attitude of the Dutch colonial government's towards the foreign competition, the main bulwark of the investment came from the Dutch, for instance 73 per cent by 1930. It was estimated that between one in five and one in ten of the population in the Netherlands depended directly on the NEI for their livelihood. To the Netherlands it looked clear that if they happened to withdraw from the colony, this would dramatically reduce their national income and eventually push the Netherlands into pauperisation: from A. Reid, 'Indonesia: Revolution without Socialism', in R. Jeffrey (ed.), *Asia-The Winning of Independence* (New York, 1981), p. 133, and Allen and Donnithorne, *Western Enterprise in Indonesia and Malaya*, p. 288. The suggestion on the probable pauperisation of the Netherlands was from P.S. Gerbrandy, *Indonesia* (London, 1950), p. 27.

⁶³ PRO FO 371 92065 F1022/34/951 memorandum on British policy in the Far East, 30 Oct. 1951.

4.3.2.4 An Examination of Issues Related to Rehabilitation: Lack of Finance, High Taxation and Provision of Supplies

As has already been noted, the wartime planning on rationalisation of the rubber and tin industries was ultimately aimed at ensuring that the industries concerned would continue to earn dollars. However, White points out that there was neither rationalisation, as the wartime planning had intended, nor re-establishment of pre-war British business interests, and my analysis suggests that neither was achieved in the way in which Rudner claimed that it had been in his studies on British rubber strategy for post-war Malaya. The plans for rationalisation were simply nullified by the urgency of an ever-increasing dollar deficit in the British Empire, which demanded a swift restoration of pre-war rubber output. The Malayan rubber industry was in the position of being obliged to secure quotas based on output prior to the Japanese occupation in order that it might be better positioned in the international price and output negotiations. As a result, by the end of 1946, rubber and tin producers started organising themselves along pre-war agency lines.⁶⁴

However, an immediate restoration of Malayan extractive industries also proved to be problematic, mainly due to lack of finance. Both public and private investments were extremely scarce because of the British government's post-war policies, which severely restricted the funds that were available to the Malayan administration. Moreover, the Malayan government could not float any loan in Britain due to Bank of England policy which, until 1948, 'discouraged colonial governments from floating loans on the London market', and thus Malaya had to finance her own rehabilitation. The firms' rehabilitation work was made more difficult by the productive under-capacity of British industry, as it disrupted provision of supplies and equipment. In 1947 colonial

governments were restricted in their access to imports not only from the UK but also from other foreign countries. Malaya's businessmen, desperate for important supplies and machinery for rehabilitation purposes, wanted the restrictions lifted, but the Malayan administration had to defend Whitehall's policies. Not surprisingly this conflict of interests created friction.⁶⁵

Subsequent disagreements between the British government and British private firms with business interests in Malaya were caused, not by government's rejection of assistance in the re-entry of business personnel, nor by the intransigence in the attitudes of many in both sectors about the way in which reconstruction and rehabilitation work should be undertaken. Instead it was mainly through government's reluctance to actively assist businesses' reconstruction efforts by refusing to finance them directly and prolonging the payments of promised money. The Treasury was apparently reluctant to supply funds to British enterprise in Malaya due to the acute capital shortage in the UK, and thus persisted with the view that 'recovery should be financed by the Malayan government, supplemented, if necessary, by an interest-free loan from the UK Exchequer'.⁶⁶ In contrast to this, the CO was more supportive to and cooperative with private business interests. In a memorandum on the Relief and Rehabilitation of Malaya, published on 27 August 1945, the CO made a promise that the industries would receive all possible

⁶⁴ White, *op.cit.*, p. 70.

⁶⁵ Stubbs, *op.cit.*, p. 17. In fact, there was also a problem with the supply of goods for general purposes. The British government were well aware of the relationship between the capacity of the UK to supply the goods that Malaya needed on a competitive basis with the USA and the possibility of Malaya remaining as a member of the Sterling area: from PRO CO 537 6089 no 5 Malaya and the Sterling Area: minute by A. Emanuel to Sir H. Poynton, 26 Apr. 1950.

⁶⁶ PRO CO 852 623/5 record of a meeting held at the Treasury, 26 Feb. 1945, cited in White, *op.cit.*, p. 71.

support from the government for their rehabilitation work.⁶⁷ However, the estimate of the cost of rehabilitation of the rubber and tin industries in Malaya initially excluded the extra expenses that would make good the losses on the estates, thus rectifying the interruption of economic maintenance and the reduction of the labour force, which meant that the British companies and managing agencies would have to take up these extra costs.⁶⁸

The tin industry was the worst hit by the war. It was officially estimated at the end of 1945 that no fewer than 22 out of 126 dredges in Malaya had only scrap value, while the remainder were in varying states of lack of readiness.⁶⁹ Undoubtedly, financial help was essential to restore the productive capacity of the industry. However, negotiations on financial aid took a long time to complete and, even then, were not satisfactory; in March 1946 advances at 3 per cent interest from the Malayan government funds were agreed upon, with further long delays in payments.⁷⁰ Nevertheless, the tin industry was privileged to receive even that much attention from both British and colonial governments in comparison with others, especially trading companies, which received hardly any attention at all. After the decision to advance financial assistance to the tin industry, the Malayan government was flooded with applications from all classes of

⁶⁷ PRO FO 371 46340 F6023/299/61 1945 memorandum by the Colonial Office on the Relief and Rehabilitation of Malaya, 27 Aug. 1945.

⁶⁸ PRO CO 825 86/1 memorandum for Commonwealth Conference, London, Sep. 1950. The cost of direct rehabilitation of rubber industry in Malaya was estimated to be around Malayan \$200 million, while it was estimated that the cost of rehabilitating the tin industry would be between Malayan \$70 and 75 million. The extra costs that were left to the managing agencies and British companies could be substantial: in T 236 3301 memorandum for Commonwealth Conference, London, 4 Sept. 1950, p. 5.

⁶⁹ *The Financial Times*, 13 Apr. 1946.

⁷⁰ PRO T 220 134 note of a Meeting between Adviser to the Secretary of State and Malayan Chamber of Mines held at the Colonial Office, 14 Dec. 1945. Simms from Malayan Chamber of Mines pointed out that the Malayan government was likely to profit considerably from the enhanced price of tin due to the war and that the enhanced revenue would easily cover the cost of rehabilitation. Hall at once rejected the suggestion saying that the main issue was rather a question of confidence, not one of where the money was to come from, but in effects the CO did not have a say on matters regarding rehabilitation funds. Nevertheless, Spens also from the Malayan Chamber of Mines asked if the CO would approach the Treasury for further funds for the rehabilitation of all the industry.

industry for financial assistance towards rehabilitation based on assistance given to the tin mines.⁷¹ In response to the request, George Hall, the Secretary of State for the Colonies, told Sir Edward Gent, the Governor of the Malayan Union, to firmly repudiate any suggestion that they were under any kind of obligation to extend similar treatment to other industries, merely because assistance was given to the tin industry.⁷² Thus, most businesses had to depend on funds obtained from the banks while the banks themselves faced various difficulties, caused both by factors that had arisen in the aftermath of the war and as a result of the cessation of operations during the Japanese occupation.⁷³

Any further assistance from the Malayan government to business was out of the question. Whilst collecting revenue was not an easy task immediately after the war, due to the loss of relevant documents and to the general devastation, Malaya herself was compelled to use up her reserves to finance rehabilitation measures and to meet various outstanding war claims. Subsequently the Malayan government used up her pre-war reserves that rapidly diminished 'from \$210 million on 1 April 1946 to under \$43 million by 1 January 1948'.⁷⁴ In the absence of direct financial help from the UK government except for the exemption of UK claims in respect of the military administration for Malaya, the financial position of post-war Malaya was made so difficult that some thought 'bankruptcy a possibility'.⁷⁵ In 1949 the issues regarding the grant for war damage were still under negotiation between the metropolitan and Malayan governments, and would not be resolved soon as there was a fundamental difference

⁷¹ PRO T 220 134 Gent, to the Ministry of Supply and Treasury, 27 June 1946.

⁷² PRO T 220 134 G. Hall to Gent, 2 Aug. 1946.

⁷³ Kratoska, *op.cit.*, p. 324.

⁷⁴ PRO CO 717/153 'Federation of Malaya-Financial Position', 1948, cited in Stubbs, *op.cit.*, p. 17.

⁷⁵ Stubbs, *op.cit.*, p. 17. To find out more about the series of deficit budgets of the Malayan government for a longer period of time up to 1950, see PRO T 220 160 CO note for the Treasury, Mar. 1950. The whole cost of the British Military Administration for Malaya up to April 1946 was estimated at £12 million: from PRO T 220 160 Economic and Social Policy in Malaya: CO note for the Treasury, Mar. 1950

between the British and Malayan governments as to who should bear the cost of a war damage scheme.⁷⁶ The lack of capital affected not only rehabilitation work but also the long-term progress of the extractive industries.

Another constraint on rehabilitation of business was heavy taxation. At the end of 1945, the extractive industries were already showing signs of the adverse effects of high taxation and the increasing production costs that resulted. British companies and managing agencies involved in the Malayan rubber industry were furious about the heavy taxation imposed on them. Sir John Hay, in his statement prepared for the annual general meeting of the Kamuning (Perak) Rubber & Tin Company, Ltd., on 27 November 1945, expressed his anger towards the government, particularly with regard to the lack of any well integrated policy towards the rubber plantation industry on the part of the government. He pointed out that export tax had increased by over 200 per cent on the rate charged immediately prior to the war. If the cost of transport and shipping was included, the overall cost of transporting rubber from the estate and putting it on the ship, including payment to the agent, had risen to the equivalent of 2,000 per cent above the pre-war rate.⁷⁷

With regard to the taxation policy of the Malayan extractive industries, the British government faced a dilemma. On the one hand, every encouragement had to be given to the inflow of private capital because of the commercial dependence of Malaya upon private enterprise; on the other hand, any excessive drain of income out of Malaya, while Malaya was largely dependent on income from the exports of the extractive

⁷⁶ PRO T 220 86 despatch no 1 from Gurney to Creech Jones and minute by J I C Crombie, 8 Jan. 1949.

⁷⁷ *The Times*, 21 Nov. 1945. Regarding the adverse effects of the wide spread responsibility on policy making, Sir John said, 'A knowledge and understanding of the complexities of the rubber problem cannot be gained by busy officials giving to them a few odd moments which they can occasionally spare from their many preoccupations'.

industries, had to be prevented. The Treasury kept a close eye on the considerable drain through remittances to China and through the payment of dividends to overseas enterprises. Mineral regulations and export taxes, and income tax were necessary evils, because these allowed not too great a share of the national income to leave the country. At the same time they directly resulted in increasing the cost of production, which was inconsistent with the governmental policy to encourage the price of rubber to be as low as possible.⁷⁸

As explained above, the MREOC was set to organise supplies to help out the rehabilitation work of the estates, while the CO was in charge of non-participators in the MREOC scheme. The issues regarding provision of supplies have drawn much interest from certain scholars, who have used this matter to explain Britain's determination to restore and maintain the pre-war predominance of the British estates in the Malayan rubber industry. Rudner, in particular, has argued that this specific policy served the interest of British-owned estate companies to the detriment of proprietary estates and smallholdings.⁷⁹ According to him, while the MREOC facilitated 'the earliest possible resumption of estate production' by arranging essentials for rubber production, such as acids, tapping equipment and fungicides, smallholdings as well as the local estates of the Malaya-domiciled estate owners, including the Chinese, were neglected. Moreover, the big British estates enjoyed special treatment through 'an indirect subsidy from the government through the distribution of relief supplies, especially cheap rice and clothing for estate labour', while the rest of the estates had to provide these for themselves by

⁷⁸ PRO T 236 2741 C.D. (49) minutes of the 7th Meeting of the Colonies Committee on Colonial Development, 30 May 1949, p. 4.

⁷⁹ Rudner, 'Rubber Strategy for Post-War Malaya', p. 27. The basis of his argument on British post-war rubber policy between 1945 and 1948 was the unfair treatment on Malay smallholders and the local estates in terms of the provision of essential equipment and supplies and rubber replanting scheme.

trading on the free market, bearing a comparative cost disadvantage. The CO's corresponding failure to supply the essentials for Malay smallholdings and the local estates, in addition to the discriminatory treatment by the Rubber Research Institute of Malaya in favour of the estate sector, while virtually ignoring the smallholders, further hampered the contribution of government to the smallholders' and local estates' rehabilitation effort.⁸⁰ Stubbs, in agreement with Rudner, explained that the local owners of rubber estates, as well as the smallholdings, had to turn to the black market to acquire their materials at a much higher price, while the MREOC ensured supplies to the large British estates and properly distributed them at a fair price.⁸¹ Rudner concluded that British rubber strategy, formulated in the early post-war period, not only undermined the development of an independent and prosperous smallholding peasantry, effectively serving to exclude this sector from holding a stake in the state of affairs, it also jeopardised the long-run competitive position of Malayan rubber in the international market, eventually leading to the virtual decay of the industry by the mid-1950s.⁸²

Superficially at least, there appears to be some basis for Rudner's argument. First of all, it was true that the supplies ordered for non-participants in the MREOC scheme actually did not arrive in Malaya in time for their rehabilitation work. Secondly, the supplies destined for smallholdings were often re-routed via the free market.⁸³ However, White points out that in the case of the Chinese, they had their own stocks and also rapidly made good deficiencies through the purchase of looted materials. Whilst it was true that Malay smallholders had inadequate supplies of processing materials, it quickly

⁸⁰ *ibid*, pp. 24-8, 35.

⁸¹ Stubbs, *op.cit.*, p. 14.

⁸² Rudner, 'Rubber Strategy for Post-War Malaya', pp. 35-36.

⁸³ *ibid*, p. 27. According to Rudner, the major problem with the distribution of essential supplies to smallholdings was that there was no channel to 'ensure that supplies actually reached smallholders'. However, the individual members of the MREOC scheme were also forced to enter the black market to buy supplies at vastly inflated prices, for the Company was badly organised: White, *op.cit.*, p. 83.

became clear that, apart from coagulants, there was actually little demand for the materials. On the other hand the MREOC turned out to be badly organised and thus ineffective, a situation that was worsened by lack of transport.⁸⁴

More importantly, the smallholders were quick to get their holdings back into shape after the end of the war despite post-war shortages and dislocation, and quickly started producing. As Rudner himself admits, the official rubber price was low, but not low enough to eliminate the smallholder tapping.⁸⁵ The Table on *Rubber Production* prepared for the Commonwealth Conference shows how quickly smallholding production expanded, and in 1946 smallholders were already producing more rubber than they had done in 1940.⁸⁶ Their operation was more impressive when compared to the sluggish progress made by the estate sector of the industry. It is my contention that the Malay smallholders, were, in fact, an active entity, who not only grasped opportunities, but also who understood the need to retreat during the recession. These flexibilities seemed to have been the strength behind their survival. Due to his emphasis on the discriminatory public policy towards the smallholdings, Rudner omits to show the vigour and opportunism of the smallholders, while the role of the MREOC and the CO's failure to supply equipment are exaggerated. Overall, it is fair to say that Rudner's argument contains certain important inconsistencies. By emphasising the fixing of rubber prices, he somewhat undermines his own argument that the British government acted simply on behalf of the British company estates, with the longer-term intention of re-establishing Malaya's capacity for dollar earning. The British government, in line with a recommendation from the Rubber Buying Unit of the Ministry of Supply, fixed the rubber price much lower than business expected: at only 10 d. per pound much short of

⁸⁴ Rudner, 'Rubber Strategy for Post-War Malaya', pp. 26-7; White, *op.cit.*, p. 83

⁸⁵ Rudner, 'Rubber Strategy for Post-War Malaya', p. 32.

1 s. 6 d. per pound — the price that was desired by the rubber producers. Business itself had previously regarded ‘steady prices’ to be more beneficial than ‘high prices’,⁸⁷ still what was an acceptable price to them was, for example, that which was sufficiently high enough to be able to sustain the extra-expenditure on rehabilitation work. What perturbed the rubber industry the most, apart from the price itself, was the way in which it was fixed: without any prior consultation or agreement with the industry, nor any prior consideration of production costs. According to Sir John Hay the price was fixed by ‘powers arbitrarily’, on the basis of the suggestion made by the Rubber Buying Unit, even before they entered Malaya. Business accused the government of jeopardising ‘the sterling area of gold-dollar earnings’, and ‘Malaya’s national income’ and also the future political stability of Malaya. However, the British government had its own agenda.⁸⁸ In addition to a consideration of the inflationary effects of fixing high rubber prices, the government was also concerned about future competition from synthetic rubber (unless the price of natural rubber was sufficiently low and production showed consistency, US synthetic rubber production would be forced to expand). Underpinning this price fixing was the British government’s belief in setting the price at a level ‘which the American Government are willing to pay and the quantity they will buy at that price’.⁸⁹ Business reacted furiously to the rubber price. Hay emphasised the importance of the industry to the Eastern territories and the outstanding contribution it had made, and could again make, to British overseas trade. According to him, the absence of an integrated policy

⁸⁶ See footnote 449.

⁸⁷ H.B. Hake, *The New Malaya and You*, p. 98, in Rudner, ‘Rubber Strategy for Post-War Malaya’, p. 28.

⁸⁸ All quotations are taken from Chairman’s address to Kamuning (Perak) Rubber and Tin Co. Ltd. Annual general meeting, 27 Nov. 1945, Chairman’s address to Kuala Muda Rubber Estates Ltd., general meeting, 21 Dec. 1945, T.B. Barlow, President’s address to RGA general meeting, 25 Apr. 1946, in Rudner, ‘Rubber Strategy for Post-War Malaya’, pp. 28-34.

⁸⁹ Rudner, ‘Rubber Strategy for Post-War Malaya’, pp. 29-31. The quotation was stated by G. Hall during the Parliamentary debates on 6 Feb. 1946.

towards the rubber plantation industry was caused by the absence of an integrated machinery of responsibility within the government on these matters. Governmental responsibility was too widely spread for it to be felt acutely in any one quarter, and as a result hasty decisions were made regarding matters concerning the rubber industry, without proper inquiry into the facts and without mature consideration. As a result, a policy of charges was imposed on the industry without taking account of the effect of high taxation, which resulted in rising production costs for an industry which already bore a heavy burden from its rehabilitation commitments. This situation conflicted with the authorities' constant exhortations to keep production costs low, to take a long-term view, and to refrain from grasping for high profit at a time of scarcity.

Thus, Rudner's conclusion might be disputed on the basis that, given the evidence that he himself brought to the fore, instead of arguing that the aim of British post-war rehabilitation of the Malayan rubber industry was to re-establish British estates to the detriment of the Malay smallholders he could have argued that British post-liberation rubber policy was satisfactory neither to British estate interests nor to the interests of the smallholders. Whilst it is true that he did not claim that both government and business worked together to re-establish themselves, he did not either pay particular attention to any possibility that business might have influenced the government's decisions in the process of delineating the post-war rubber strategy. Rather he attributed to the government full responsibility for the development of the strategy for the rubber industry.⁹⁰

⁹⁰ M. Rudner, 'Rubber Strategy for Post-War Malaya, 1945-48', *Journal of Southeast Asian Studies*, vol. 1, ISS. 1, 1970, pp. 23-36; M. Rudner, 'Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy', *Modern Asian Studies*, vol. 15, no. 1, 1981, pp. 83-105.

Conclusion

The analysis undertaken in this chapter on the resumption of the Malayan extractive industries and other related issues suggests that while the government never lacked intention to assist businesses' rehabilitation, which was evident in their active help with re-entry of personnel of the industries and the assistance given for inspection, the actual rehabilitation work was hampered by lack of material support from the metropolitan government. Due to the shortage of dollars in Britain, rationalisation of the industries based on wartime planning gave a way to an attempt at the immediate resumption of productive output. However, this proved impossible, mainly because of the lack of finance and equipment. The slow progress made by the tin industry is an exemplification of the significance for economic rehabilitation and reconstruction of that sort of assistance. Despite the fact that reconstruction of the extractive industries was of mutual benefit to both government and business, the process of rehabilitation became a source of irritation in the relations between them, for neither was financial assistance forthcoming, nor was the provision of supplies smooth. Additionally high taxation — which meant high production cost — and the low rubber price became a source of antagonism in the government/business relationship. In this sense, Rudner's analysis lacks the overall vision of the way in which domestic economic difficulties in the metropole, as well as those experienced by the colonial governments, affected reconstruction of the rubber industry, in which British firms were the major player. Instead he over-emphasises Britain's need to restore the pre-war production levels. The following two chapters will seek to illuminate the limitations on the power of each of these sectors to influence developments in what were essentially extremely adverse objective circumstances. An examination also exposes not only the lack of cohesion in the dealings between government and business, it also tends to reveal a lack of cohesive strategy internally within the offices and

structures of government over the way in which a colony should be governed and the Malayan Emergency be fought.

Chapter. 5 State and Firm: The Malayan Case

The following two chapters will analyse the interactions between the British government and British private enterprises in Malaya, Indonesia, and Siam. The analysis of such relations in each of these countries follows quite a similar structure. First, war experience and its implications for post-war problems are briefly outlined; next post-war difficulties are dealt with; lastly, the way in which government and business reacted to these matters is analysed. A comparative analysis of the Siamese and Indonesian cases of government and business interactions during the Attlee period is undertaken in Chapter 6. What the two actors, business and government, had to deal with was different in each of these two nations, but while the experiences of British private enterprises were diverse, the reactions to the events as a whole were not entirely dissimilar. Indonesia is a good example of the close working relationship between the two main actors in seeking to overcome the difficulties created by the hostilities between the Dutch and the Indonesians, as well as by the general instability after independence. British business interests enjoyed relative stability in Siam, but at the same time Siam was the one among these three countries where business and government felt the strongest US competition and where business feared of the recurrence of the ultra-nationalism of the 1930s. The Malayan case includes two distinctive, but not entirely separate, matters: firstly, the Malayan extractive industry in relation to the UK's dollar deficit and colonial resources development, and secondly, the Emergency. The Malayan experience was unique due to Britain's colonial relations with the country. Therefore it is more appropriate to present the analysis of Malaya separately from the other two case studies. Nevertheless a cautionary comparative comments are made on the more complex nature of the interactions in Malaya.

5.1 Dollar Deficit in the United Kingdom and Colonial Resources Development

When the Second World War finally ended, Britain found itself in enormous debt because of excessive war expenditure. Exports and income from overseas sources were running at abnormally low levels. Worse still, Britain had far more commitments abroad than any other country in the world. Thus immediately after taking office, the dominant concern of the Attlee government was to reduce resources allocated to other than national economic recovery.¹ However, this was soon found to be unrealistic in the face of a Soviet foreign policy, which often clashed with Britain's stance and business interests abroad. Britain simply did not have enough resources to both re-structure the economy and to maintain the manpower and commitments of a world power.

When Lend-Lease ended in August 1945 Attlee wrote that all there was available in Britain was 'what was in the pipe line and even that looked like being in jeopardy'.² Britain had not had sufficient opportunity to reorganise itself on a peacetime basis. The British government had no choice but to immediately ask the USA for a loan. Apparently there was a strongly bitter feeling among the British people towards the USA over the ending of Lend-Lease. They felt resentful of the need to obtain a loan from the USA, and this feeling was exacerbated by the context of the negotiations on the loan being that apparently the US Administration was reluctant to become entangled in European affairs. Indeed, some officials in the US Administration openly declared that the USA and the Soviet Union could get along better without Britain in between.³ Somehow Keynes

¹ A. Gorst, 'Facing Facts? The Labour Government and Defence Policy 1945-50', in N. Tiratsoo (ed.), *The Attlee Years* (London and New York, 1991), p. 192. According to Gorst, the attempt to reduce the commitment on defence actually started immediately after VJ day.

² C. Attlee, *As It happened* (Melbourne, London and Toronto, 1954), p. 129.

³ *Ibid.*, p. 132.

managed to secure a loan of \$3,750 million⁴ from the USA, which would help finance the three-year transitional period after the war.

Inasmuch as the British had resented the position in which they found themselves in the loan negotiations, which lasted almost three months, the government's continuous efforts to export more to the hard currency areas were well received by various government Departments. The Committee on Exports was set up under the Chairmanship of the Secretary for Overseas Trade, Hilary Marquand, who was succeeded by Harold Wilson, to supervise and coordinate the work of all government Departments concerned with exports. The Treasury considered that,

... exports to the Western Hemisphere, especially North America, are literally worth their weight in gold at the present time. And that is true of many hard currency countries in Europe, such as Switzerland, Sweden, Portugal and certain others.⁵

Despite all these efforts, exports were growing unexpectedly slowly. The major difficulty in rebuilding the export trade was that Britain was almost in a state of vacuum; for instance the appropriate infrastructure for rebuilding such as fuel and power, transport facilities, finance etc., were all lacking.⁶ There were also shortages of manpower, raw materials, and of industrial power and equipment. The delay of demobilisation brought heavy criticism of Bevin, and caused much turbulence within the Labour government, damaging the party's integrity. At the Annual Conference of the Trades Union Congress (TUC) in September 1945, Bevin was severely criticised

⁴ Bullock, *op.cit.*, p. 202.

⁵ PRO T 230 8 Export Drive: Progress Report by the Committee on Exports set up under the Chairmanship of the Secretary for Overseas Trade, Oct. 1947, p. 4 (file p. 105).

⁶ F. Williams, *A Prime Minister Remembers: The War and Post-war Memoirs of the Rt. Hon. Earl Attlee* (London, Melbourne, Toronto, 1961), p. 90.

regarding the conservative nature of his plans for demobilisation, a factor that was interrupting the implementation of reconstruction plans, including projects such as the housing programme. Moreover, there were strong demands for manpower in the civilian and export industries. The General Secretary of the TUC pointed out that, by June the following year, the USA would be keeping only two and a quarter million men under arms when Britain would be keeping three and a half million.⁷

Britain's dollar reserves continued to decline further throughout 1946 and early 1947, a situation that was exacerbated by the unrestricted use of the dollar pool by other Sterling area countries. The pool of dollars was available to all members of the Sterling area, and the allocation of dollars from the pool was not controlled by London. Instead, the whole thing was based on a purely voluntary arrangement, by which each member made a gentlemen's agreement to be as economical as possible in its use of dollars.⁸ The fuel crisis caused by the shortage of coal stocks in the exceptionally severe winter of 1946 and 1947 worsened the shortage of dollars by holding up transport and the production of manufactured goods, and cost Britain £200 million in lost exports.⁹ The Chancellor of the Exchequer, Hugh Dalton, warned in March 1947 that Britain was using up US Credits at a reckless and ever-accelerating speed and thus the situation was showing every sign of getting out of control.¹⁰ He warned the Cabinet on 5 June that 'if the present rate of drawing on the US Credit continued, this Credit would be exhausted as early as the end of 1947'.¹¹ However, his prediction on the timing of exhaustion of the

⁷ *ibid*, p. 124. Britain would have demobilised only 1,400,000 men and women while the United States would have released 8,200,000 in the same period.

⁸ PRO T 236 61 Sterling Area: R.H. Brand, Washington, to Lord Keynes, Treasury, 14 June 1945, p. 4.

⁹ A.E. Hinds, 'Sterling and Imperial Policy, 1945-5', *The Journal of Imperial and Commonwealth History*, vol. 15, no. 2, Jan. 1987, p. 155.

¹⁰ PRO CAB 129 017 C.P. (47) 100 Exhaustion of the Dollar Credit: memorandum by H. Dalton, 21 Mar. 1947, p. 1.

¹¹ PRO CAB 129 020 C.P. (47) 221 Balance of Payments: memorandum by H. Dalton, 30 July 1947, p. 1. On 30 July 1947, Dalton again (and this time more correctly) warned that the Credit would not last

Credit proved to be too optimistic when sterling was finally made freely convertible on 15 July 1947.

On several occasions, before and after the convertibility crisis, the Labour government undertook detailed studies on Britain's chronic dollar deficit, the results of which did not indicate the presence of problems much different from those which had been evident ever since it took power. The main item of foreign exchange expenditure in post-war Britain was overseas commitments, particularly civil supplies for Germany and the cost of military forces abroad.¹² The expenditure was also greatly affected by the rapid rise in American prices, which meant depreciation in the value of the dollars lent to the British. The Minister of Defence, in line with the constant efforts made by the Labour government to lessen overseas commitments, stressed the urgent need to restore a balanced peace economy at the earliest moment, because the heavy demands made on national resources, both of manpower and material by the Armed Forces, distorted the country's efforts to re-build the post-war national economy. After all, 'a successful defence policy must find its roots in healthy social and economic conditions'.¹³ Yet, as late as 1 July 1947, British troops were still widely distributed in Germany, Austria, Italy and Venezia Giulia, Greece, Palestine, Egypt, the rest of the Middle East, India, Burma, and the rest of the Far East (principally Malaya), and elsewhere.¹⁴

beyond November and would probably be exhausted in October, or even possibly September. Worse of all, he admitted that there was no reason for hoping that the rate of drawing would fall in the near future.

¹² *ibid.* Britain was liable for half of the deficit in the balance of payments of the combined zone. The estimate of British liability in the mid-1947 was £80 million a year of which at least £45 million were dollars. This ever-rising dollar bill to feed the Germans was a most unwelcome and unexpected mis-use of American Credit.

¹³ PRO CAB 129 017 C.P. (47) 52 Statement Relating to Defence: memorandum by the Minister of Defence, 7 Feb. 1947, p. 4.

¹⁴ PRO CAB 129 020 C.P. (47) 221 Balance of Payments: memorandum by H. Dalton, 30 July 1947, p. 6. According to the Joint Memorandum (PRO CAB 129 025 C.P. (48) 61, 23 Feb. 1948) by the Chancellor of the Exchequer and the Minister of Defence on Overseas Military Expenditure, about 70 per cent of the total expenditure of £79 million was accounted for by expenditure in Palestine, Egypt, Malaya, Gibraltar and Malta, the first two countries accounting for some 40 per cent of the whole. It was

On 20 August 1947, the same day that the decision to free the convertibility of sterling was withdrawn after a month of turmoil, there was a meeting of Ministers to consider various questions that had arisen from the balance of payments situation and reference was made to the possibility of securing assistance in balancing payments with the USA by increasing exports of primary products from the colonies.¹⁵ In fact, this strategy of using colonial resources to tackle Britain's most urgent and obvious post-war economic problems (primarily in this case the adverse balance of payments and huge external debts) was not completely new. Nevertheless, there was a subtle difference between the practical measures for immediate action before and after the convertibility crisis. Exports of primary produce from the colonies to America were more frequently thought of as a possible remedy for the economic problems during and after the convertibility crisis. On 16 August 1947, the discussions on the possibility of increasing exports of primary products from the colonies together with food ration cuts, the reduction of foreign travel allowances, and the export of agricultural machinery reflected the frustration widely felt by the British in circumstances of the sudden acceleration in the exhaustion of the US loan.¹⁶ After a few days, the Secretary of State for the Colonies, Arthur Creech Jones, told his fellow Ministers that Britain should try to re-establish, and improve upon, the pre-war position in which exports of primary produce from the colonies to America were among her principal earners of dollars.¹⁷

due to British military strategy at that time founded on three principles, the defence of the United Kingdom, of essential sea communications and of the Middle East: PRO CAB 129 029 C.P. (48) 206 memorandum by Attlee on Defence, 24 Aug. 1948, pp. 1-2.

¹⁵ PRO CAB 129 020 C.P. (47) 242 Balance of Payments: Production of Dollar-Earning Colonial Commodities: memorandum by the Parliamentary Under-Secretary of State for the Colonies, 23 Aug. 1947.

¹⁶ PRO CAB 129 020 C.P. (47) 233 Balance of Payments: memorandum by the Chancellor of the Exchequer, 16 Aug. 1947.

¹⁷ PRO CAB 129 020 C.P. (47) 242 Balance of Payments: Production of Dollar-Earning Colonial Commodities: memorandum by the Parliamentary Under-Secretary of State for the Colonies, 23 Aug. 1947.

Accordingly, the practical possibilities of increased supplies of rubber and tin were sought out. In the case of Malayan rubber, supplies could be made available immediately for sale to the USA, whereas there would be no immediate increase in tin output, although it was thought that there were possibilities for a longer term expansion of output over a period of years. The CO was already expediting projects in hand. The two most important things here were the rehabilitation of the Malayan tin industry and the development of lead deposits in Tanganyika. In both cases progress was held up by difficulties in securing the delivery of equipment (and in the latter case, also by difficulties of securing technical staff). Other Ministers were already asked for assistance to meet these needs and for help in getting over these difficulties.¹⁸ At the same time, a message was sent out by Creech Jones in which the colonial peoples were told to help Britain overcome the economic crisis by economising on dollar imports and increasing their production.¹⁹

It was under these circumstances that the Colonial Development Corporation was established to provide new and additional means for the colonies to promote production, which would help to strengthen the resources of the Sterling Group and to assist the balance of payments within the Empire.²⁰ There was a strong belief within the government, especially within the CO, that it was necessary for a public corporation, instead of private enterprise, to provide the technical experts and the capital required in order to investigate all the potentialities for economic development in the colonial territories and to promote the schemes which were needed to realise those

¹⁸ *Ibid.*, pp. 1-3. However, now we all know that the assistance was hardly sufficient and fast enough, for the progress of repair and replace of dredges and other equipment related to the industry was slow, and Malayan tin industry was still fighting to get the war compensation in 1949 and even 1950.

¹⁹ *Ibid.*, p. 2.

²⁰ File 19286/4, Economic, Part I, 1947 (CO 852/867), item 8, cited in Morgan, *Developing British Colonial Resources, 1945-1951*, p. 320. The colonial resources here are referring to foodstuffs and raw materials which would be supplied to the UK or sale overseas.

potentialities.²¹ The essential criteria for developments in the colonies were: firstly, to establish indispensable public utilities, develop basic social services, and improve agriculture and the conditions of a sound economy, which were mainly utilised by the funds of the Colonial Development and Welfare Act; and secondly, provision for the undertaking of *ad hoc* schemes for the development of individual industries to increase the production of commodities required either in the Empire or overseas or both.²²

In operating the big *ad hoc* development schemes in the colonies, the public Corporation would not be in competition with private enterprise, but it would seek to prevent the latter from exploiting big industrial development opportunities.²³ Yet the public schemes would not eliminate private interests. On the contrary, Creech Jones elaborated on the expectation that the new schemes initiated by public Corporations would contribute to increasing the volume of investment to the colonies by private enterprise.²⁴ After all the Corporation would not dictate the development, but operate only after receiving the full consent of the government of the colony concerned, and also in collaboration with any local Development Corporation that was set up or that already existed.²⁵ When the Cabinet's consideration of plans for establishing an Overseas Food Corporation and a Colonial Development Corporation (CDC) was publicly announced, the Governors were assured that the purpose of the public Corporations would 'not [be] to supplant private enterprise, but to supplement it'.²⁶ The FO was also assured that the aim of the Corporation would be to complement rather than displace private enterprise,

²¹ PRO T 220 31 Colonial Development Corporation: to J.I.C. Crombie, Treasury, 9 May 1947, pp. 11-12.

²² PRO T 220 31 Development of Colonial Resources: memorandum by the Secretary of State for the Colonies, May 1947, pp. 43-47.

²³ PRO T 220 31 letter from E.A. Shillito, to Compton, 15 May 1947.

²⁴ PRO T 220 31 letter to Playfair, 15 May 1947.

²⁵ Morgan, *Developing British Colonial Resources, 1945-1951*, p. 321.

²⁶ File 18706/9/68, Economic General 1947-48, item 37, a secret telegram on 15 June 1947 to the Governors in the Colonies, cited in Morgan, *Developing British Colonial Resources, 1945-1951*, p. 332.

by undertaking projects which private enterprise was unwilling or unable to put in hand or which 'for particular reasons may be unsuitable for private operation'.²⁷ The CDC therefore received schemes from not only the CO, but also private individuals, and was also free to make its own plans.²⁸ After all, the establishment of a public Corporation was designed to fill a gap in the machinery for colonial development.

The ultimate goal of the CDC was to increase colonial production to assist the adverse balance of payments in the UK and the Empire as a whole. The Malayan extractive industries were among the biggest dollar earners within the Empire and therefore one would assume that they would be one of the main beneficiaries of the schemes. However, the outcome of the CDC programme does not show this to be the case. The government's enthusiasm to develop colonial resources was often set back by the fact that colonial orders for equipment were subordinate to home demands. The CO hoped that the Ministry of Supply would give colonial demands higher, or at least equal, priority to domestic demands. However, the situation for supply was worsened by the fuel crisis, which delayed the whole programme of production by between four and five months. As far as the Ministry of Supply was concerned, since the Prime Minister's list of priorities did not include any work for export,²⁹ colonial orders were to continue to take their turn in the queue.³⁰ In any case, according to the statement of priorities by region and by commodity, the guidance of the Corporation prepared by the CO clearly

²⁷ File 18706/9/68, Economic General 1947-48, item 41, letter of 21 June 1947 from Sir Sydney Caine to Sir Edmond Hall-Patch, cited in Morgan, *Developing British Colonial Resources, 1945-1951*, p. 331.

²⁸ File 18706/9/68, Economic General 1947-1948, item 88, letter of 15 Apr 1948, from the Minister of State, the Earl of Listowel, to the Governor of Singapore, Sir Franklin Gimson, cited in Morgan, *Developing British Colonial Resources, 1945-1951*, p. 334.

²⁹ File 17025, Economic (Supplies) 1947 (CO 852/790), item 8, letter of 28 August 1947, and item 5, letter of 23 August 1947 from G.H. Harrison, Ministry of Supply, to F. Hollins, Ministry of Food, cited in Morgan, *Developing British Colonial Resources, 1945-1951*, p. 334.

³⁰ Morgan, *Developing British Colonial Resources, 1945-1951*, p. 191.

shows that Malaya was regarded as a country with capital and human resources.³¹ Moreover the main aim of the CDC was to induce industrial development in the colonies. As a result investment went to improving secondary industries in the colony; producing various kinds of consumer goods, particularly those that fulfilled the economic needs of the colony; and also to reducing dollar imports, such as fertilisers, packing materials, and building materials.³² As we will see, in the meantime British companies in the Malayan extractive industries were struggling to obtain capital for their rehabilitation work, while neither the metropolitan nor the colonial government was prepared to provide them.

5.2 Interactions between State and Firm during the Emergency

During the rehabilitation period, British businesses in Malaya were dissatisfied with the degree of assistance given by the British government. In Britain the export drive to the hard currency countries entailed ignoring other countries' needs, and Malaya being the colony with the biggest dollar earnings among the colonies was unable to obtain the much needed manufactured goods for its rehabilitation work. Consequently, provision of supplies was inadequate and war compensation did not arrive in time to help the capital-starved private firms. In theory, the Malayan extractive industries, in which the British firms had particular interest, should have benefited from the public funds designed to develop colonial resources, but in practice, they were not the main beneficiaries. In addition, when the Malayan economy was beginning to improve and with the rubber production catching up to the pre-war production level, the Emergency broke out. The Emergency, which lasted almost twelve years, had a number of implications for the future of British business interests in Malaya. This occurrence was unfortunate for them

³¹ *ibid.*, p. 364.

when their rehabilitation work was already constrained by lack of capital, as it exhausted their tight working capital even further.

The British governments' commitments to defending sterling and the need of the Malayan governments to obtain the revenue were 'broadly synchronized with the needs of British business in Malaya'.³³ Historiographical arguments have attributed a key causal role to these mutual interests in the sources and the origins of the Emergency and the process of the counter-insurgency. Caldwell saw the counter-insurgency as a policy of zero-tolerance to any disturbance of Malaya's dollar earning function. Malaya was 'a British economic asset' and without its dollar earning, the British economy would suffer from an adverse balance of payments. If Britain was forced to withdraw from Malaya because of the insurrection, she would need further financial assistance from the USA, and this would also result in intolerable consequences for the post-war international capitalist structure, which was headed by the USA. However, Caldwell's work fails to explain American reluctance to be involved with Malayan affairs despite their keen interest, and to assist Britain, whose expenditure on the counter-insurgency strained the domestic economy, by resisting British requests for price supports for Malayan rubber and for the lowering of the fixed rate for synthetic rubber.³⁴ More importantly, his work does not explain the government's sluggish response to businesses' request for sterner measures to deal with the lawlessness that disrupted rehabilitation of the extractive industry, and the re-establishment of production of rubber and tin.³⁵ Stenson, in his

³² *ibid*, pp. 334-35. There are various reports on this process of industrial development schemes being implemented around 1950 and 1951, often involving established private firms in the area: see Chapter 3.

³³ White, *op.cit.*, p. 124.

³⁴ Rotter, *op.cit.*, pp. 54-5.

³⁵ M. Caldwell, 'From "Emergency" to "Independence", 1948-57', in M. Amin and M. Caldwell (eds.), *Malaya: The Making of A Neo-Colony* (Nottingham, 1977), pp. 217-249. In fact, Caldwell's view on British relations with Malaya in connection with the USA's post-war economic strategy was similar to that of the communists at the time, who argued that British imperialism merely served as 'one of insatiable economic exploitation on behalf of the United States': from *The Lines of Propaganda in*

studies of industrial conflict in Malaya from around 1935 up to the Emergency, sums up that the employers pushed the MCP to rebel, and pushed government to react. Although the employers in the post-war period never achieved the same degree of closeness with officials that they had enjoyed pre-war, their strong and concerted action nevertheless helped revive a policy of cooperation on the part of government. After all there existed a close bond of social identity between businessmen and officials, which was nurtured by the existence of isolated, yet privileged social clubs in the colony.³⁶ Short's work focuses on governmental policies and the operational side of the counter-insurgency. He found 'the most remarkable feature of the insurrection' was the fact that 'government continued to govern', which was made possible because there was hardly any panic exodus amongst the local officials, police officers, planters, tappers, and ordinary workers at the District level. Members of these key sectors stayed put, despite the physical dangers that they faced, thus helping the government to build stability (or at least 'the impression of stability', as he puts it) and to continue to govern.³⁷ White objects to both the views of the neo-colonialist historians and to those who have identified the existence of a so called, 'Gentlemanly Capitalism'. Instead he identifies the existence of a high degree of intransigence in relations between government and business, as well as the divisions within the officialdom and within business. With regard to the Emergency, he also finds wide divergences between them on the specifics of counter-insurgency.³⁸

The events surrounding the Emergency are chronologically discussed here. This discussion will not focus on the operational side of the counter-insurgency, but will place

Connection with the Expansion of the Army, published by the Lenin Publishing Press, July 1948, Malaya, in Short, *op.cit.*, p. 108

³⁶ M.R. Stenson, *Industrial Conflict in Malaya: Prelude to the Communist Revolt of 1948* (London, New York, Kuala Lumpur, 1970).

³⁷ Short, *op.cit.*, p. 500.

particular emphasis on issues directly related to British enterprises. Issues relevant to business during this time include: the financing of the counter-insurgency and consequent taxation issues, recognition of the Communist Chinese government, British government's intentions with regard to the social and economic development of Malaya, the feelings of inadequacy and physical insecurity on the part of those in business and so on. During the Emergency, British private firms worked hard to direct the officials and influence governmental policies related to the counter-insurgency. To a great extent the survival and future of business depended on the government's policy and its determination to stay on in Malaya. The British establishment was in no position to overlook business interests due to the latter's contribution. It is in the light of such conditions that the interactions between the parties are assessed here. The aim of this assessment is to provide insight into British Malayan policy during the Emergency and into the way in which business sought to influence the governments, in order to discern the extent to which government-business relations were marked by an overarching consensus based upon a symbiosis of interest, or, on the contrary, whether at the heart of such relations lay a conflict of perceived interest and therefore a conflict in the nature of the measures that were required to deal with the Emergency situation. It is certainly the case that there was intransigence in government-business relations over a number of issues. The first of the conflicts between the two to be examined here, are over strategies that were advocated for dealing with the labour unrest.

The studies on the struggles between capital and labour in post-war Malaya in Chapter 3 show that general economic hardship was a fundamental factor in the upsurge of labour unrest, but also that the MCP utilised the situation in order to take full advantage of the

³⁸ N.J. White, *Business, Government and the End of Empire: Malaya, 1942-1957* (Oxford, 1996).

dissatisfaction that was widely felt among labourers. When British planters and managers returned, they were shocked by the poor living and health conditions experienced by their workers, and as a result, they often sought to obtain rice on the black market to feed their workers.³⁹ The employers responded to strikes with concessions.⁴⁰ Soon however, they found the rise in wages stretching them to their economic limit, and the strikes 'posing a threat to the traditional structure of Malayan industry and employment'.⁴¹ Business began to put the Malayan government under constant pressure to take coercive measures, but such pleas were rejected by the Governor, Gent.⁴² Some officials maintained a liberal attitude toward organised labour.⁴³ One can locate such attitudes in the general context of the essentially progressive nature of the post-war Malayan regime, sensitive as it was to liberal sentiments at home and at the international level. In such circumstances officials were resistant to calls for the implementation of coercive measures that would amount to the infringement of civil liberties, especially in circumstances where all the alternatives to such a course of action were yet to be explored and their potential exhausted.⁴⁴ When the pleas for the use of stronger measures against the 'subversive' elements fell on deaf ears, the employers started, unilaterally, to exert stronger measures against work stoppages, demonstrations and strikes. This mainly took the form of expelling those who they considered troublemakers and also of the enforcement of the trespass law to stop any outsiders entering estates.⁴⁵ The government

³⁹ Harper, *op.cit.*, pp. 129-30.

⁴⁰ Production bonuses in rubber estates and profit sharing in tin mines were common practices: in Stenson, *op.cit.*, p. 94.

⁴¹ *ibid.*, p. 153

⁴² PRO CO 537 2166 FF8-12 minute 3 of 6th Governor-General's Conference in Singapore, 11 Mar 1947; CO 537 2208 no 16 despatch no 19 from Gent to Creech Jones and minute by H.T. Bourdillon, 30 Sept. 1947; CO 537 2208 no 24 outward telegram no 1305 from Creech Jones to Gent, 18 Oct. 1947.

⁴³ Stenson, *op.cit.*, p. 150.

⁴⁴ Stockwell, *Malaya, Part I*, pp. lxiv-lxv.

⁴⁵ Stenson, *op.cit.*, pp. 160-61.

officials were furious with businesses' independent actions of the dismissal of workers,⁴⁶ but by then it was obvious that Brazier's 'non-political unionism' could not deter the direct influence of the MCP on organised labour. Neither could the assistance of the Police effectively serve to prevent the MCP from agitating amongst the labourers.

It is clear that there was no consensus between government and business on precisely how to deal with the industrial unrest which formed the precursor of the situation of Emergency. It seems that the extent to which the labour unrest was met by an intransigent approach on the part of government and business respectively depended upon the degree of seriousness that each attached to the MCP's direct involvement and therefore their respective assessments of the possible consequences of labour unrest. As far as business was concerned, the estate managers were already convinced by early 1946 that the aggression, led mainly by the MCP, would hamper the return of the estates to production.⁴⁷ The government regarded the labour protests more as industrial disputes caused by the disparities in wages, rather than identifying them as Communist-instigated political action.⁴⁸ In fact, the government had its own plan to control organised labour, which would in turn contribute to controlling the labour indiscipline, especially the activities of the General Labour Unions (GLUs), without resorting to any arbitrary action. Under the guidance of Brazier, the Trade Union Adviser, the government put every effort to separate the spontaneous trend towards strike action from the militant leadership of the Pan-Malayan General Labour Union (PMGLU).⁴⁹ In spite of attempts to portray the registration of all existing unions, between the end of September 1946 and March 1947, as a mere formality, in reality the effect of such a policy was that the unions

⁴⁶ Harper, *op.cit.*, pp. 136-38.

⁴⁷ PRO BT 64/1878, RCC (46) 1 Amendment, Mar. 21, 1946, cited in White, *op.cit.*, p. 102.

⁴⁸ PRO CO 537 2173 Gent to Creech Jones, 24 June 1946, cited in Harper, *op.cit.*, p. 134.

would either be 'registered and controlled, or, if unregistered, declared unlawful',⁵⁰ thus depriving the State Federations of Trade Unions and the Pan-Malayan Federation of Trade Unions (PMFTUs) of funds amounting to between 20 and 25 per cent of individual unions' subscriptions to the Federations.⁵¹ Although registration was effective in weakening the PMFTUs and its control over its affiliates, that alone did not provide the government with machinery that prevented them from resorting to disruptive activities, nor did it remove the linkage between organised labour and the MCP. To be fair, it is possible that Gent was not furnished with sufficient information on which to base a decision on what appropriate actions could be taken to heed warnings on the MCP's disruptive activities, due to the absence of adequate intelligence.⁵² Nor did the CO have sufficient evidence to conclude that there was serious trouble in Malaya. The immediate threat arising from Communist activities was regarded as 'slight', even at the end of May 1948 when the insurrection was imminent. The Assistant Secretary to the CO, J.B. Williams and the Assistant Under-Secretary, G.F. Seel, admitted that there was 'the greatest immediate danger' of Communist attempts to gain control of the trade unions, yet his assessment was that the main threat to public order came much more from mere bandits than from members of left-wing organisations.⁵³ Stenson claims that the Malayan governments at first took 'some tentative steps towards reform' helped by the liberal attitude among officials, but began to exert a more authoritarian approach under strong pressure from commercial interests.⁵⁴ Whilst it is true that business, after having re-established themselves, could practice more concerted action to put pressure on the

⁴⁹ Stenson, *op.cit.*, p. 113. On 25 August 1946 the Pan-Malayan General Labour Union opted for an official recognition, and the resultant reformation as the Pan-Malayan Federation of Trade Unions: in Stenson, *op.cit.*, pp. 135-36.

⁵⁰ T.U.A., 7/1946, Brazier to Col. Sec. Singapore, 24 Oct. 1946, cited in Stenson, *op.cit.*, p. 137.

⁵¹ R.T.U. circular, Oct. 1946, cited in Stenson, *op.cit.*, p. 136.

⁵² see Stubbs, *op.cit.*, pp. 68-9; Short, *op.cit.*, pp. 77-90, for more about the inadequate intelligence.

⁵³ PRO CO 537 3755 minute by J.B. Williams and G.F. Seel, 28-31 May.

government, nevertheless, government never yielded to business pressure on important issues, such as banishment and flogging. Moreover, business was not impressed by the government's response, which it tended to regard as sluggish. As we will see, the government's reluctance to implement stronger measures against 'subversive elements' at an earlier stage was repeatedly referred to as one of the main reasons behind the government's loss of control over the situation before the declaration of the Emergency and was responsible for the outbreak of the Emergency.

In this initial period of labour militancy we can definitely discern an important difference in the strategies of the British government and its officials, on the one hand, and what constituted general business opinion, on the other. While such differences were not based upon qualitative difference in the interests of these two sectors, they were based upon a differing attitude towards trade unionism in general. On the part of the politicians and officials these attitudes tended to be predicated upon liberal Fabian or Labourist political ideas, which differed from those held by the businessmen in Malaya, who continued to be hostile to independent trade unionism *per se*. Such differences were the foundation upon which stood the differences in the assessment of the extent of the threat that was posed by MCP influence within the Malayan trade union movement.

Turning to 1948, as the volume of industrial unrest grew steadily labour unrest was not only more widespread, also the forms of violence used during the strike were much more intense, with even murder often being resorted to.⁵⁵ The considerable labour agitation among estate workers particularly in northern Malaya gradually shifted further south in February 1948. The Malayan government started taking action to restrict union activities

⁵⁴ Stenson, *op.cit.*, p. 233.

⁵⁵ Short, *op.cit.*, p. 33.

and the Registrar of Trade Unions ordered that the All-Malayan Rubber Workers Council be dissolved and on 18 February all contributions to the funds of the unregistered PMFTUs from registered unions were outlawed.

Between May and June 1948 there was another wave of strikes led by the MCP. During May alone 'there were eight murders, two attempted murders and five cases of arson' in the Federation. The Amendments to the Trade Union Ordinance of 1940 were hurriedly passed on 3 June to declare illegal the unregistered trade unions including the PMFTUs. By the end of May information was received from various sources that the MCP was mobilising its armed forces under the name of the Special Service Corps, and that the leading members of the Party had disappeared and had gone into the jungle for a course of military training.⁵⁶ In retrospect these pieces of information, together with the intensified violence at the beginning of June, were sufficient to indicate that the MCP was intent on resorting to direct action. However, the officials were reluctant to admit that the threat of lawlessness came much more from the Communists than from organised common criminality.

'During the first two weeks in June there were 19 cases of murder and attempted murder and 3 cases of arson.'⁵⁷ On June 1, 1948, a strong force of police had to be used to clear the Chinese labourers who had taken control of an estate in Johore. During the following weeks there were more strikes and murders of European planters in Perak and Johore. The armed Chinese were becoming bold, raiding a police station near Johore.⁵⁸ The business circles severely criticised officials 'for not acting more forcefully to

⁵⁶ PRO CO 537 3753 no 35 Effect of action by governments in Malaya to counteract Malayan Communist Party plans': supplement no 11 of 1948 issued with Malayan Security Service Political Intelligence Journal no 15/48 of 15 Aug. 1948.

⁵⁷ *ibid.*

⁵⁸ PRO PREM 8 1406 Part I C.P. (48) 171 The Situation in Malaya: memorandum by the Secretary of State for the Colonies, 1 July 1948.

suppress 'lawless and criminal' elements which had led in turn to the 'suspicion that the Government was unable to stop it'.⁵⁹

On 12 June 1948 Gent was given the exclusive authority to use the Banishment Ordinance against any persons whose undesirable activity could not be prevented by recourse to the normal process of law without prior reference to Creech Jones, the Secretary of State. An enactment of Emergency Powers Bill empowered the High Commissioner to proclaim a state of emergency. However, proscription of the MCP was still rejected, for Creech Jones himself did not consider this an appropriate approach on two grounds: firstly, because, in principle he did not agree with the banning political parties or prosecution of persons merely for being members of them; secondly, because the proscription of the party might drive the Communists underground, thus making it more difficult to monitor their activities.⁶⁰ Indeed, not only did the government have a different assessment of the threat posed by the MCP. It was also the case that they had a strategy, at an international level, of seeking to deal with communism on a world-wide scale. Hence, any excessively aggressive moves against the MCP may have had negative repercussions in relations with other Communist parties, such as, the Chinese Communists, and not least the one in power in the USSR. British businessmen in Malaya, however, had no need to take such matters into account; they were operating on a wholly more parochial basis — profitability. Nevertheless action had to be taken at the political level. A state of emergency was proclaimed on June 16 in certain areas of Perak and Johore, and extended on June 17 to the whole of the state of Perak and on June 18 to the remainder of the Federation.⁶¹

⁵⁹ PRO CO 717/210/2 telegram from Federation, 4 June 1948, cited in White, *op.cit.*, p. 103.

⁶⁰ PRO CO 717 167/52849/2/1948 ff 314-317 outward telegram no 70 from Creech Jones to M.J. MacDonald, 12 June 1948.

⁶¹ PRO PREM 8 1406 Part I C.P. (48) 171 The Situation in Malaya: memorandum by the Secretary of State for the Colonies, 1 July 1948; also see PRO CO 717 167/52849/2/1948 f302 inward telegram no

However, the declaration did not bring an immediate solution to, or an improvement in, the situation, therefore business opinion remained dissatisfied. As far as business was concerned, 'if unofficial warnings given in the past of pending trouble had been heeded and sterner measures applied, then present, troubles might not have arisen'.⁶² Calls for Gent's immediate replacement seemed to have been made as early as September 1947 by the Johore Branch of the United Planters Association.⁶³ At this point, business had already lost confidence in Gent. This state of affairs that existed between Gent and the business community deteriorated sharply during the intensive strike wave of early 1947, which spread throughout South and Central Kedah, when he refused to use banishment to restore law and order.⁶⁴ Malays also continued to show animosity towards Gent, largely due to his role in the establishment of the Malayan Union. This situation became a cause for concern on the part of the Commissioner-General, MacDonald, in the face of escalating labour unrest during which the Malayan government would need close cooperation from the Malays. He thus discussed the matter of the recall of Gent with Creech Jones in January, during his visit to London, and the decision to replace him was taken in mid-April.⁶⁵ Therefore, while Tan Cheng Lock perceived the decision to replace

641 from Gent to Creech Jones, 17 June 1948 about Gent's decision to extend Emergency Regulations over the whole Malaya.

⁶² PRO CO 717 172/52849/9/1948 NO 10/12 outward telegram 750 from Creech Jones to Gent, 22 June 1948.

⁶³ PRO CO 537 2208 no 16 despatch no 19 from Gent to Creech Jones; minute by H.T. Bourdillon, 30 Sept. 1947. Johore was one of the significant rubber plantation areas of the peninsula (Kratoska, *op.cit.*, p. 269). The main reason for the recall of Gent by the planters particularly in Johore seems to be the intense strikes in that area where the strong presence of the ex-MPAJA guerrillas stirred up the estate workers; for instance, in May 1948 the police who went into an estate to restore order, were confronted with violence, thus further reinforcements had to be called in: PRO CO 537 3753 no 35 supplement no 11, 15 Aug. 1948.

⁶⁴ At their meeting with Creech Jones and other CO personnel on 22 June 1948, the business delegations, especially S.B. Palmer and H.H. Facer (United Planters Association of Malaya), and E.D. Shearn (Malayan Association) elaborate the way in which their advice and suggestions were ignored by the High Commissioner over the period of time: PRO CO 717 172/52849/9/1948 no 15 notes by W.G. Sullivan of a meeting between the CO and a delegation representing European business interests, 22 June 1948.

⁶⁵ A.J. Stockwell (ed.), *British Documents on the End of Empire, Malaya*, Part II: Communist Insurrection, 1948-1953 (London, 1995), the author's own note in pp. 13-14.

Gent as having been 'wholly prompted by the strong pressure from European unofficial quarters and direct representations made to the CO by European vested interests and big business connected with Malaya', it is clear that such a decision was made earlier.⁶⁶ In any case, business delegations made to the CO on 22 June 1948 provide evidence of a complete loss of confidence with Gent. At this meeting Creech Jones assured the business delegations that the government was well aware of the gravity of the situation in Malaya, which was referred to not in terms of it being 'a trade dispute only', as many sections of business might have expected from the government, but as 'something more than ... an industrial dispute' and as a result the functioning of established authority was being challenged. On the one hand, he assured the business delegation of the determination of the British government to do everything in its power 'to root out the causes of it', on the other, he emphasised that the Malayan government was given full powers to deal with the situation, such as: the banning of unregistered trade unions; an extension of the Banishment Ordinance; and other related considerations, for example, better equipping of the Police.

However, these promises were not very enthusiastically received by the business delegations who were still pessimistic about Gent, who, they believed, would not actually use these powers if they were given to him. Although Creech Jones rejected the criticism levelled at Gent, the collapse of business confidence in Gent precipitated his immediate recall, which was prompted on 26 June.⁶⁷ Gent, however, never made the journey, but was killed in an air-crash on his way back to London.

⁶⁶ PRO CO 537 3686 no 23 inward telegram no 733 from Sir A. Newbould (OAG) to Creech Jones, 4 July 1948.

⁶⁷ PRO CO 717 172/52849/9/1948 no 15 notes by W.G. Sullivan of a meeting between the CO and a delegation representing European business interests, 22 June 1948; Short, *op.cit.*, pp. 116-19: good for the growing uneasiness between Gent and MacDonald.

Having assured the business delegations that the British government would do everything it could take to get a return to normal conditions and to restore order, Creech Jones still objected to the proscription of the MCP, indicating that he continued to be willing to 'maintain a progressive approach' as he was still concerned 'about the political repercussions of proscription'.⁶⁸ The declaration of the Emergency did not bring any marked change in the situation in July. In addition MacDonald reported that there was conclusive evidence that 'the Malayan Communist Party was actively responsible for planning and directing this campaign of violence and terrorism',⁶⁹ though watertight proof of MCP involvement in the violent attacks was still (even months later) lacking.⁷⁰ Creech Jones and Bevin finally accepted the need for a ban on the MCP and on 19 July the Cabinet agreed to authorise MacDonald to declare the MCP, and certain connected parties, such as New Democratic Youth League and PETA (Ikatan Pembela Tanah Ayer: Communist Party's Malay Front) to be illegal organisations.⁷¹

The War Office, somewhat vividly, listed the methods employed by the insurgents as: the murder of law-abiding Chinese and of managers and senior officials on the outlying rubber estates and tin mines, the intimidation of workers, and the destruction of buildings on mines and estates, of machinery and other properties.⁷² When the Emergency was declared, the Malayan garrison remained militarily weak, as a result of the continued absence of improvements in levels of men and military supplies. Almost all sections of the Army, the Airforce and the Police were understrength, and on 4 July 1948 the

⁶⁸ Stockwell, *Malaya, Part II*, the author's own note in p. 50. Also see Stockwell, *Malaya, Part I*, p. lxvi.

⁶⁹ CAB 128 13 CM 52 (48) 5, Cabinet conclusions, 19 July 1948

⁷⁰ Stockwell, *Malaya, Part II*, notes 2 and 3 in p. 51.

⁷¹ PRO CAB 128 13 CM 50 (48) 3, Cabinet conclusions, 13 July 1948; CAB 128 13 CM 52 (48) 5, 19 July 1948; CO 537 3753 no 35, supplement no 11 of 1948, 15 Aug. 1948.

⁷² PRO PREM 8 1406 Part I C.P. (48) 171 The Situation in Malaya: memorandum by the Secretary of State for the Colonies, 1 July 1948; PREM 8 1406 Part I note by the War Office on the Military situation in Malaya, 18 Aug. 1948.

Federal Executive Council was given secret information that there was 'no prospect at present of military reinforcements from abroad'.⁷³

At a meeting held in Kuala Lumpur on 22 June 1948, the defence of estates and mines was discussed by MacDonald, Gent, and other personnel from the Malayan government. MacDonald emphasised the significance of maintaining the economic life of the country, and thus of defending the principal resources, such as rubber and tin. He advocated the use of regular forces for static guarding of the estates and mines for a short period till other devices were ready, since there was no any other manpower readily available. The Deputy Commissioner of Police took the threat to plantations and mines 'lightly' on the grounds that the planters and managers had been 'advised to form their own defence unites and steps were being taken to issue arms to them' and that they were given a warning to take an extra caution for their own and their families' safeties. MacDonald's suggestion of using the Army temporarily for static guards on estates and mines brought an immediate objection from Gent and the Major-General Boucher, the General Officer Commanding Malaya. Gent, in particular, completely discarded the suggestion of 'the defence of every plantation and mines' as 'impossible'.⁷⁴

Nevertheless, provision of armed guards on rubber estates to restore confidence among those in the business was alive, in the form of the Special Constables. The Special Constabulary, formed on 26 June 1948, was a force of voluntarily recruited armed men (mainly Malays, but also including Tamils and sometimes even Chinese). In the early stages, training was often in the hands of estate managers and tin mine-owners, for many estates and agency houses had already been recruiting people to guard their properties. The recruits were also trained by special training teams provided by the Army, by the

⁷³ Short, *op.cit.*, pp. 113-14.

Police, by officers seconded from civilian government Departments, and by the Palestine Police sergeants who also helped to organise the defence of the estates and the mines. The first party among the eventual 500 of them arrived on 5 August.⁷⁵

Throughout the Emergency, it was emphasised that the counter-insurgency operation was based on police work rather than regular force, and this belief was closely linked to the decision not to apply martial law in combating the disturbances. Immediately — the day after the declaration of the Emergency — Gent gave an instruction to all Departments of the Federation government to give every assistance to the Police.⁷⁶ An increase in police force numbers was planned at the early stage of the operation, and there were further expansions over the period of time. A voluntary auxiliary police was also raised to relieve the heavy duties of the Police.⁷⁷

On 14 July the Acting High Commissioner of the Federation of Malaya, Alexander Newbould, received representations by the leading Malayan rubber and tin industries in Malaya. The business delegations told Newbould that unless the situation improved in a few months time, they could not guarantee continuity of production, and demanded an immediate reinforcement of two further brigades. Newbould promptly discussed this matter with the British Defence Co-ordination Committee, Far East.⁷⁸ Subsequently Newbould; MacDonald; and the Defence Committee, Far East sent telegrams to the British government to urge support for the despatch of additional reinforcements. However, the Defence Committee of the Cabinet Office suggested that ‘the despatch of reinforcements at the present time to any part of the world needed

⁷⁴ *ibid.*, pp. 114-117. Gimson, the Governor of Singapore, Major-General Charles Boucher, the General Officer Commanding Malaya, Langworthy and Lieutenant-Colonel John Dalley, the Commissioner of Police and the head of Intelligence respectively were also on the present.

⁷⁵ *ibid.*, pp. 124-28; Woodcock, *op.cit.*, p. 242.

⁷⁶ J.B. Perry Robinson, *Transformation in Malaya* (London, 1956), p. 166, in Short, *op.cit.*, p. 122

⁷⁷ Short, *op.cit.*, pp. 128-132.

⁷⁸ PRO PREM 8 1406 CP (48) 190 Cabinet memorandum by Creech Jones, 19 July 1948.

careful thought'. The policy governing the size of the army after the war required a rapid run-down, dependent upon that there would be peace and reduction in British post-war commitments. However, many of these commitments had not been reduced (see section 5.1), nevertheless the extra effort required of the army had been just about managed. Under the circumstances, further reinforcements meant that the British government 'would need to face a big risk'. Thus the Committee thoroughly examined the drawbacks regarding the despatch of such forces; first, the main trouble areas were identified, then a decision as to which area the first brigade that was ready should be sent was made.⁷⁹ The conclusion was drawn that the brigade should be sent to Malaya on the basis that:

Malaya was the only place in all three areas where we were actively fighting against Communism and it was British Empire territory. Moreover, our own nationalists were being killed. We could not stand this nor could we afford to lose Malaya to Communism.⁸⁰

Philip Noel-Baker of the Commonwealth Relations Office reached the same conclusion: that while there were great obvious potentialities of serious trouble in western Europe and Middle East, the situation in these two areas was still not so immediately critical as that in the Far East, though the British were taking grave risks, particularly in the Middle East.⁸¹

It is not certain whether the subsequent decision to send further reinforcements was made as a result of, or at least under the influence of, the business representations made to Newbould. By the time the representations were made, the British Ministry of

⁷⁹ PRO PREM 8 1406 Part I D.O. (48) 16th of Meeting of the Cabinet Defence Committee, 13 Aug. 1948.

⁸⁰ *ibid.*

⁸¹ PRO PREM 8 1406 Part I The Situation in Malaya: memorandum by Philip Noel-Baker of the Commonwealth Relations Office, 18 Aug. 1948.

Defence seemed to have been already prepared to send one or possibly two brigades, but 'should this be essential'. And yet there is no indication that they thought the time has arrived and nor MacDonald seems to think that the operations should move from one phase to another: from merely restoring law and order to 'liquidate the guerrilla bands whose headquarters are in the jungle' using stronger measures.⁸² With limited information on this matter, it is difficult to decide whether that was a coincidence. If not, we face another confusion of whether MacDonald publicly declared his plans of operation. It was thus possible that business without any prior knowledge of the activities inside the British government and the Defence Ministry might themselves have thought that it was time to apply stronger measures which naturally required more armed presence; or alternatively, in this case with their prior knowledge of the plan for operations, they might have urged the government to move on to the next phase.

Reinforcements were sent from Hong Kong; and in the following October a further three battalions of the Brigade of Guards arrived in Malaya. This was 'the first time that Guards had ever served abroad except in war', which obviously showed the weight attributed to the significance of protecting Malaya by the British government. It was announced that the first armoured car regiment was on its way, though it arrived only in February and March 1949. Also, gradually, the air force was strengthened.⁸³

In 1948 the morale among British business in Malaya, which always remained sceptical about the government's seriousness in meeting the dangers posed by the Emergency, was close to collapse.⁸⁴ There was uneasy feeling within the expatriate business communities, and among British officials including policemen and soldiers, that the British government

⁸² PRO PREM 8 1406 CP (48) 190 Cabinet memorandum by Creech Jones, 19 July 1948.

⁸³ Short, *op.cit.*, pp. 113-136.

might abandon the colony. Walter Fletcher, the businessman converted politician (a Conservative MP between 1945-1955), was reported to have said that 'Britain should state clearly she intends to stay in Malaya for many more decades ... until political stability had been reached.'⁸⁵ The Malaysians, who had already had the experience of the British suddenly withdrawing in the face of Japanese advance, were also afraid of being again left alone to deal with the insurgency, and the events in Burma, where 'the premature withdrawal' brought disastrous consequences, assured them of the need to keep the British colonial government until stability was re-established.

The Malays and Chinese were equally afraid of each other's aggression and retaliation that might escalate if the British would have to withdraw early. The Chinese, whose cooperation would be more than vital for a successful counter-insurgency operation, but whose confidence with the British and Malayan governments had been run down, especially by the constitutional change to the Federal structure by which the pre-war Anglo-Malay collaboration was restored, needed to be assured that the British had no intention of leaving Malaya within the foreseeable future.⁸⁶ In his letter to Sir Thomas Lloyd (the Permanent Under-Secretary of State of the CO), the new High Commissioner, Sir Henry Gurney, emphasised the need for a statement that should affirm that 'we intend to stay in this country at least until they are able to stand on their own feet and maintain their independence', to rebuild confidence among peoples of Malaya, which would in return contribute to 'the restoration of peace and good order and the ending of our Emergency'.⁸⁷ On 2 April 1949 it was agreed between Attlee, Creech Jones, Alexander

⁸⁴ Harper, *op.cit.*, pp. 154-55.

⁸⁵ PRO CO 537 4741 no 27 letter (reply) from Sir T. Lloyd to Sir H. Gurney, 2 Apr. 1949.

⁸⁶ PRO CO 537 3758 no 25 letter from Sir H. Gurney to Sir T. Lloyd, 20 Dec. 1948.

⁸⁷ PRO CO 537 4741 no 16 letter from Sir H. Gurney to Sir T. Lloyd, 24 Feb. 1949. Also see CO 825 76/2 no 7 inward telegram no 337 from Sir H. Gurney to Sir T. Lloyd. Minutes by N.D. Watson, J.D. Higham, Creech Jones, Rees-Williams, 18 Mar. 1949, for the related issues regarding restoring confidence of peoples in Malaya.

(the Minister of Defence) and Shinwell (the Secretary of State for War) that the Prime Minister himself should address a statement on that matter,⁸⁸ and this was done on 13 April 1949.⁸⁹

Almost a year after the declaration of the Emergency, the counter-insurgency operations were showing slow progress. Gurney was extremely concerned with 'the Communist drive in China', which had proved to be 'a boost to bandit morale and a check to willing co-operation from some Chinese'. The degree of Chinese allegiance to the Malayan government was still ambiguous, and in the absence of an effective administrative control, the squatters, mostly Chinese, were known to support the guerrillas, providing foods and information, though they often cooperated with them as a result of intimidation and physical threat. In these circumstances, the sequence of events in China and the final take-over of the country by the Communists in October 1949 put the British officials in Malaya under constant pressure.⁹⁰

As the Communist was the *de facto* government in China, recognition of the Communist regime seemed to be an inevitable step to take on the part of the British government. Yet, three major problems with the recognition of the Communist China in relation to British counter-insurgency operations in Malaya were recognised: firstly, the consequent boost to morale among the insurgents; secondly, problems that would occur with the presence of the Chinese Communist Consuls; and, thirdly, confusion might

⁸⁸ PRO CO 537 4751 no 68 minute by Attlee, 2 Apr. 1949.

⁸⁹ See Stockwell, *Malaya, Part II*, p. 127 note 2 for more details of the statement made by Attlee in the House of Commons on 13 Apr. 1949.

⁹⁰ PRO CO 537 4751 no 122 letter from Sir H. Gurney to J.J. Paskin, 2 June 1949. The take-over of the Communists of the whole China in a foreseeable future had been always a possibility after the end of the war, and a constant concern among the British officials. Therefore, British authorities kept watchful eyes on the events in China, for its consequence would be absolutely disastrous to Malaya and to the whole region: PRO CO 537 3755 minute by J.B. Williams and G.F. Seel, 28-31 May 1948.

occur among the Malaysians, as the recognition might imply an approval of Communism.⁹¹ Among these, the British were most afraid of the subsequent establishment of the Chinese Communist Consuls that would be appointed throughout the Federation of Malaya and with whom the local Chinese would be called upon to register. In that way, the Chinese government would become associated with the Communist insurgents in Malaya, and there was 'a great danger in that they would be a means of supplying information, money, leaders, and possibly arms to the bandits'. Nevertheless, some sections of the British government were adamant that it was important 'to have ... diplomatic touch with the new Government' and the adverse effects to the British operations in Malaya might be reduced through 'some agreement on the [their] non-interference in Malaya'.⁹² Even risking criticisms of their clearly inconsistent attitude towards Communism in Malaya and in China, the British government and mandarins maintained their position with regard to recognition on the basis that:

The type of Government established in any country is the business of the people of that country. ... The Communist Government controls the greater part of China and is at least acquiesced in by a great majority of Chinese people.⁹³

At the same time every effort had to be made to minimise the disastrous consequence of recognition to the counter-insurgency operations in Malaya. The British CO and FO, and the British authorities in Malaya refused to identify the insurgency in

⁹¹ PRO CO 537 6089 no 17 joint CO-FO note, Dec. 1949.

⁹² PRO CO 537 4374 no 5 report by Field Marshal Sir W. Slim, Nov. 1949.

⁹³ PRO CO 537 6089 no 17 joint CO-FO note, Dec. 1949; FO 371 F17630/1017/61S Telegram from Commissioner General (Acting Deputy) for SEA to the Secretary of State, 22 Nov. 1949. Field Marshal Slim also said that 'Whether the Government is recognised or not, it is, and will be in fact, the Government of China and the Chinese population of Malaya will regard it as such.' Thus, he rather preferred to recognise the de facto government in China, but at the same time to minimise the adverse effects on Malaya through a diplomatic route with the new government: PRO CO 537 4374 no 5 report by Field Marshal Sir W. Slim, Nov. 1949.

Malaya with either Communism in China or International Communism.⁹⁴ The British government was, on the one hand, hesitant to represent the Emergency as merely a war against colonial unrest, but on the other hand, more reluctant to identify it with International Communism, thus trying hard for publicity to 'avoid writing up International Communism in such terms as to make it seem a powerful bandwagon onto which people would be wise to jump'.⁹⁵ It was very important to draw every possible distinction between them to dissociate Communism from any object of local Chinese loyalty. At the same time the British government wanted to make sure that the recognition did not mean

weakening in our resistance to Communism anywhere when it directly affects our interests ... if the Communists in China indicate, . . . , an unyielding determination to support paramilitary or open aggression in Southeast Asia, we shall certainly meet their challenge as we have met the MCP challenge.⁹⁶

There was, however, a growing opposition to the recognition within the Malayan government. Gurney even tendered his resignation to the CO protesting against it. Although he was not successful in his aim, his actions played a major contribution in drawing up the initial Cabinet decision that 'no Communist consul should be appointed in Malaya for the duration of the Emergency'.⁹⁷ Despite the precautions taken with regard to the recognition, these measure proved insufficient to ensure minimising the damaging

⁹⁴ PRO FO 371 76005 F17630/1017/61S telegram from Commissioner General (Acting Deputy) for SEA to the Secretary of State, 22 Nov. 1949.

⁹⁵ PRO FO 371 76005 F17630/1017/61S J.H. Watson, FO, to O.H. Morris, CO, to 1 Dec. 1949.

⁹⁶ PRO FO 371 76021 F15689/10140/61 Sir H. Gurney to the Secretary of State for the Colonies, 6 Oct. 1949.

⁹⁷ PRO CAB 129 39 CP(50)75 joint Cabinet memorandum by Griffiths and Younger (Minister of State at the Foreign Office, 1950-1951), 21 Apr. 1950; Short, *op.cit.*, pp. 213-16.

effect on the British community in Malaya. The former President of the United Planting Association of Malaya lamented the British business community's sense of loss as a result of this decision in May 1950:

We, out there, do not question the action of the British Government in recognising the Communist Government of China although we don't understand it — but you will appreciate Sir how much more difficult it has made our task in Malaya.⁹⁸

Such a decline in British morale in the country contributed further to the loss of businesses' confidence in the intentions of the British government with regard to the future of Malaya.

During the Emergency 356 British civilians, mostly planters and miners, were killed, while others who survived had to live under extremely difficult conditions.⁹⁹ It had been feared that Europeans engaged in mining and rubber planting might decide to leave Malaya for good¹⁰⁰ and such fears seemed well-founded as many European personnel resigned or retired early.¹⁰¹ Firms were finding it increasingly difficult to obtain young trained men to replace them due to the present danger to life.¹⁰²

Guerrilla incidents during the first half of 1949, after having decreased to almost half of the previous average between June and December 1948, quadrupled (with over

⁹⁸ PRO CO 537 5979 memorandum of Meeting with the Secretary of State for the Colonies at the CO, 10 May 1950, memorandum no. 2 (presented by H.H. Facer, the ex-President of the United Planting Association of Malaya).

⁹⁹ Woodcock, *op.cit.*, p. 242 and see the same page for more details of the life of planters and miners, and the family. See PRO CO 537 7265 memorandum of Meeting, 19 Dec. 1950, for the strains on the families in the UK of the British planters and managers.

¹⁰⁰ PRO CO 537 5979 memorandum of Meeting, 10 May 1950, memorandum no. 2 (by H.H. Facer).

¹⁰¹ PRO CO 1022 39 memorandum of Meeting between a Deputation from the RGA and the Secretary of State for the Colonies, 15 Nov. 1951.

four hundred a month being recorded) after that. The attacks reached their peak in early September 1950. As soon as the situation began to deteriorate in 1950, business again urged the British government to make another public statement that would reassure those who feared the possibility of an early withdrawal of Britain from Malaya¹⁰³ The general lack of confidence, widespread within the British community, was, according to the deputation of British businesses in Malaya, not so much due to fear of banditry as to the possibility of Representative Government being granted to Malaya prematurely, which might put the continuity of normal business operations at risk. Thus British firms wanted to be assured that Malaya would remain 'a central British responsibility second to none'¹⁰⁴, until they deemed Malaya to be competent to govern herself as a united nation within the Commonwealth.¹⁰⁵ When James Griffiths, who succeeded Creech Jones as the Secretary of the State for the Colonies on 28 February 1950, visited Malaya in following May and June, business delegations urged him to intensify counter-insurgency operations to ease the continued insecurity, and also pressed him to make a public statement that 'British rule in Malaya would be maintained for another twenty-five years'.¹⁰⁶ Griffiths not only declined to do so, but also made his position very clear: that the tempo of granting self-government should be increased in view of the situation marked by Communist control in China.¹⁰⁷ He was well aware of the fact that business

¹⁰² PRO CO 537 7265 memorandum of Meeting, 19 Dec. 1950.

¹⁰³ PRO CAB 128 17 CM 37(50)1 Cabinet conclusions on reports by Griffiths and Strachey following their visits to Malaya, 19 June 1950; CO 537 5961 no 25 item 1 of minutes of fifteenth Commissioner-General's conference at Bukit Serene, 7 June 1950.

¹⁰⁴ PRO CO 537 5979 memorandum of Meeting, 10 May 1950, memorandum no. 1 (by H.B. Egmont Hake of the Rubber Growers' Association)

¹⁰⁵ PRO CO 537 5979 memorandum of Meeting, 10 May 1950, memoranda nos. 1, 3 and 4. In his memorandum (no. 4), Sir Sydney Palmer of the RGA said that he thought that it would take them at least twenty to twenty five years before they were ready for representative government.

¹⁰⁶ PRO CAB 128 17 CM 37(50)1 Cabinet conclusions, 19 June 1950.

¹⁰⁷ In fact, the idea of a transitional period of 25 years before the grant of self-government in Malaya was not new, but had been accepted by the wide section of the Malayan society including Malayan Chinese, Indian leaders and the more conservative Malays: see PRO CO 537 5961 no 25 item 1 of minutes of fifteenth Commissioner-General's conference at Bukit Serene, 7 June 1950.

bore 'a very heavy burden',¹⁰⁸ and was thus sympathetic, but at the same time he was also critical of the backwardness of the business community in Malaya. It was clear that the government and the business community did not see eye to eye on economic and social issues: whilst a large section of the European population still hoped for a return to the conditions which existed in pre-war Malaya, Griffiths reinstated the responsibility of the British government to offer the Malayan workers greater opportunities for economic and social betterment. As the government was competing with the MCP, who criticised the former for concentrating 'every resource of force, decree law, intimidation, and propaganda upon crushing the Malayan people's struggle',¹⁰⁹ and who claimed to be an alternative to British colonial authorities, it was considered to be of great importance 'to demonstrate to the workers in Malaya that a non-Communist regime offered them greater opportunities for economic and social betterment than any Communist regime'.¹¹⁰ Business was, however, more concerned with short-term stability and making a quick profit. Throughout 1950 and 1951 business was anxious to obtain an assurance that the British government was ready and prepared to fight to hold Malaya. Any statement made by the authorities to prove otherwise was taken seriously; for instance, when General Briggs stated that there was a possibility of withdrawing the military from Malaya if the Emergency went well, and deploying them elsewhere, business immediately made a request to Griffiths for an explanation.¹¹¹

The Attlee government on the one hand struggled to persuade the business interests to be more conscientious about the welfare of their workers, and on the other encouraged the Malayan government to work more diligently on the economic and

¹⁰⁸ PRO CO 537 7263 no 42 memorandum by Griffiths, 6 July 1951.

¹⁰⁹ Caldwell, *op.cit.*, p. 219.

¹¹⁰ PRO CAB 128 17 CM 37(50)1 Cabinet conclusions, 19 June 1950.

¹¹¹ PRO CO 537 5979 brief for Secretary of State for Visit of Joint Delegation of Malayan Interests on 19 Dec. 1950.

political development of the country. After having been re-elected in the general election of February 1950 with a much smaller majority, the Attlee government began to take a more systematic approach to Malaya, establishing the Cabinet Malaya Committee, and appointing General Briggs to coordinate the military and police activities. These were responses to an ever-more urgent situation in which Malaya increasingly swallowed up funds, and caused alarm when viewed in the context of Communist success elsewhere in Asia. The Secretary of State for War, Strachey, who accompanied Griffiths to Malaya heavily criticised the officials of the Malayan regime for failure to implement the metropolitan government's declared objectives (see the main introduction of this thesis for the detail), blaming their adherence to an 'out of place, and out of date, form of liberalism [which] is joined ... by a disastrously conservative bias in regard to the political, democratic and economic development of the country'. He emphasised the need for 'firmness', and vigour' on both the military and police side of the campaign and on economic and political development.¹¹²

In fact, such initiatives had been taken at the local level, under Gurney, who had, throughout 1949, made serious attempts to diagnose problems and recommend solutions to the Emergency, based on what General Sir Gerald Templer would later call the 'winning of hearts and minds'. Gurney advocated the creation of a social base amongst the ethnic-Chinese population and worked on improvements in the standard of living to counter Communism. A solution was also sought to problems by the decentralisation of the federal structure through the introduction of the 'member system', while General Briggs endeavoured to link up districts, states and the centre of operations through a series of war executive committees, and planned provisions for the resettlement of

¹¹² The quotes are from PRO PREM 8 1406 Part II minute by Strachey, to Attlee, 11 Dec. 1950. Also see CAB 21 1681, MAL C(50)21 memorandum by Strachey for Cabinet Malaya Committee, 17 June 1950;

squatters. We see another example of local initiative in MacDonald's recommendation to the Secretaries of State to speed up the process of self-government during their visit to Malaya.¹¹³ The problem with these local schemes was that they were based on the long-term plans. Therefore by the time Griffiths and Strachey were in Malaya, they had not taken effect.¹¹⁴ Taking into account the extent of local programmes it has to be said that although Strachey had a case, especially in relation to the Malayan regime's inactivity on the promotion of non-Communist trades unions, one should be guarded about accepting his overall criticisms as legitimate. Nevertheless, his frustration was also driven by concern about political developments outside Malaya:

In the long run we can suppress the rising and do the job, *if we are let alone to do it* (italic in origin). But we may only have a short time to settle the business in Malaya. If we look at the position in the rest of S.E. Asia, it is far from reassuring. Any further Communist successes there are almost certain to react in Malaya ...¹¹⁵

Regardless what was going on within the political authorities and despite some division between the metropolitan and colonial governments, the interactions between the metropolitan and colonial governments and the firms were necessarily active. In any case, the confidence felt among the British firms with their role and contribution to the British and Malayan economy (and the whole Empire) made them more forthcoming than they would otherwise have been. After all, in times of dollar shortages in the UK and the

CAB 128 17 CM 37(50)1 Cabinet conclusions, 19 June 1950.

¹¹³ Stockwell, *Malaya, Part 1*, pp. lxvii-lxix; PRO CAB 129 40, CP(50)125 Cabinet memorandum by Griffiths, 13 June 1950.

¹¹⁴ Stockwell, *Malaya, Part I*, p. lxviii.

¹¹⁵ PRO CAB 21 1681, MAL C(50)21 memorandum by Strachey for Cabinet Malaya Committee, 17 June 1950.

Sterling area, they were the main actors in the Malayan extractive industries — the biggest dollar earners. Moreover, the British firms in the rubber and tin industries were major contributors to the Federal revenues and the biggest employers in Malaya.¹¹⁶ J.M. Baber, Chairman and Managing Director of Alor Pongsu Amalgamated Estates, explained that one might say rubber had been the ‘Cinderella’ of industries in the post-war period, but, ‘... in effect, it has played the part of the “Fairy God-mother” by being the biggest dollar earner upon which Britain’s present position is entirely dependent’. Together with tin, the rubber industry was saving the Federation from the ravages of Communism because if estates would have to shut down, it would ‘indeed lead to an atmosphere of discontent in which the dying threat of Communism would again thrive’.¹¹⁷

The confidence of British firms in Malaya and their close communication with the governments can be judged positively when compared to the policy of Unilever’s Indonesian subsidiary which consciously did not make any attempt to use the British government to bring pressure to bear on Sukarno because the company was well aware of the fact that they did not have much to offer for Indonesia’s export economy. Its role as a manufacturer of goods for local consumption made it a light-weight when it came to bargaining power.¹¹⁸ In contrast to this, British firms in Malaya did not hesitate to contact the governments and the relevant Departments. Indeed, if necessary they launched campaigns to persuade the British government to act in line with their interests.

¹¹⁶ ‘According to the 1947 census report, the number of persons engaged in rubber cultivation was over half a million if we take into account the dependants of these persons it can be estimated that 1.5 million persons or one-quarter of the population of the Federation depend on rubber cultivation for all or most of their livelihood. This is fairly conservative figure for it leaves out those engaged in rubber trading and the manufacture of rubber goods.’: PRO PREM 11 873 High Commissioner for the Federation of Malaya to Secretary of State for the Colonies, Kuala Lumpur, 17 May 1951.

¹¹⁷ *The Financial Times*, 16 Aug. 1949, Malayan Rubber Position; Post-war “Cinderella” of Industries, by J.M. Baber, Chairman and Managing Director of Alor Pongsu Amalgamated Estates.

For instance a business delegation arranged meetings with the Secretaries of State for the Colonies; a deputation of local business organisations and leaders saw High Commissioners of the Federation and the Commissioner-General; and big names like Sir John Hay and Egmont Hake made personal visits to the British government. Close communication with the relevant government Departments was regarded by business as essential for smooth operation during the Emergency. Hay, in response to the request by Lloyd of the CO to make an immediate and practical suggestion, urged the CO to arrange meetings between some senior administrative or Police officers, recently returned from the Federation; firms with business interests in Malaya, such as the RGA; and the corresponding organisations of tin miners, bankers etc., so that business could have better access to information including about those matters that could not be made public.¹¹⁹

Despite business confidence and its influence in government circles, they still lacked the power to influence some of the most significant issues, such as financing the counter-insurgency, including taxation, and the operational side of the counter-insurgency. In fact, during the meetings between the British authorities and business, two issues were constantly raised: the financial burden imposed on business and the lack of progress on counter-insurgency. Around the end of 1949 the rubber and tin industries were still struggling to get war compensation. Sir Sydney Palmer, a prominent proprietary planter and visiting agent, and also the immediate past President of the United Planting Association of Malaya, pointed out that many estates had already exhausted reserve funds which had been spent on rehabilitation work. Only payment from the government

¹¹⁸ D.K. Fieldhouse, *Unilever Overseas; The Anatomy of a Multinational 1895-1965* (London, Stanford, 1978), p. 313.

from the war damage account would be able to tide over most estates. In addition 1949 was one of the most difficult years for natural rubber: the Export Tax doubled in early 1948, and soon after, Income Tax was introduced.¹²⁰ The price fall and ever-increasing production costs affected the rubber industry badly, and even more so the tin industry. By the end of 1948 mining costs were more than double what they had been before the war, as a result of the increased cost of materials, power and wages.¹²¹ And the Americans' stockpiling policy had made the situation worse. US requirements for tin, which had originally been intimated as being of the order of some 50/60,000 tons a year, were actually revised at a figure of some 20,000 tons per annum. Thus the British and Federation governments were worried that this unexpectedly low purchase would not only worsen the UK's dollar position, but that it would also bring repercussions for the Malayan tin industry, which in turn could result in unrest and further internal security problems for the Malayan government.¹²²

British firms were becoming more and more dissatisfied with the heavy taxation imposed on them to assist the increasing general government expenditure. The Chairman of Malayan Tin Dredging Ltd., Southern Malayan Tin Dredging Ltd. and Kramat Pulai Ltd. vented his frustration at the Annual General Meeting in December 1948:

¹¹⁹ PRO CO 537 5979 T.I.K. Lloyd, Permanent Under-Secretary of State, CO, to J.J. Paskin, CO, 28 Mar. 1950.

¹²⁰ *The Financial Times*, 18 June 1949. See Stenson, *op.cit.*, pp. 173-76 for more about the introduction of Income Tax and business' strong resistance that delayed the implementation of the Tax.

¹²¹ PRO T 220 134 Chairman's Address to Members at the Annual General Meetings of Malayan Tin Dredging, Ltd., Southern Malayan Tin Dredging Ltd., and Kramat Pulai Ltd., 15 Dec. 1948.

¹²² PRO T 220 134 Minute on Malaya Tin by W. Russell Edmunds, 29 June 1949. The Truman Administration was concerned with large increases in governmental expenditures in the face of declining revenues, thus requested the National Security Council to revise the size and nature of the governmental programmes, those which were designed for overseas commitments and national security for the fiscal year 1951. As a result more than a third of the expenditure allocated for stockpile purpose was going to be cut back. However, the Korean War that followed immediately after a few months made any reduction of the military expenditure including stockpiling of critical and strategic materials impractical. See FRUS (1949), vol. i, National Security Affairs, Foreign Economic Policy, pp. 347-389 for more details on the process of re-evaluation of the expenditure programmes in July 1949.

The cost of a full and efficient police force and organisation is, properly, the responsibility of the Federation, but the consequences arising from the manifest neglect (and refusal to heed warnings) of the Colonial Office, **the root cause of the necessity for the present armed forces** [bold in original], should be borne by the British Treasury.¹²³

Contrary to the assumption made by the British government the expenditure necessary in 1950 considerably exceeded that of 1949. Griffiths immediately took steps to increase revenue in the form of 'an increase in Companies rate of Tax to 30 per cent and the imposition of increased export duties on rubber and tin'. On the other hand he suggested that the British government, for its part, should 'bear fifty per cent of expenditure arising directly out of the emergency and incurred by the Federation Government so long as the emergency lasts' in the belief that the form of a fixed percentage would bring a 'very great political value to the Anti-Communist cause in Malaya'.¹²⁴ Gaitskell, the Minister of State for Economic Affairs, who was deputising for Cripps, instantly refused to sanction any further contribution, despite Griffiths' contention that Cripps had made a prior agreement with him on financing. Instead Gaitskell merely pointed to the fact that the British government was already bearing the full cost of the British Forces employed in Malaya (£36 million up to October 1950), in addition to other extras that amounted to over £12 million. He was certain that the amount of this contribution would, in itself, be more than enough to convince the Malaysians of Britain's commitment and cooperation with Malaya in the latter's fight

¹²³ PRO T 220 134 Chairman's Address at the Annual General Meetings, 15 Dec. 1948. Business often reminded the government of the fact that the former's advice on several occasions tendered to the government of the dangers in Malaya months before the emergency started, was not taken seriously and as a result the authorities failed to act upon advice in time: from CO 537 7265 memorandum of Meeting, 19 Dec. 1950.

against insurgents.¹²⁵ Griffiths, very disappointed, again argued that unless the British government took what he considered to be a fair share of the financial burden for policing the Emergency, the Federation government would not be able to implement its own development plans. This, in turn, would be detrimental to Malaya's future development and also be contrary to the British government's wish.¹²⁶ Gaitskell, however, persisted in the argument that Britain could not assist Malaya any further because British economic resources were 'severely strained' due to the Korean War and to the consequent requirements of the new defence programme, in contrast to the 'more buoyant revenue position' enjoyed by the Malayan government thanks to the war boom.¹²⁷

Indeed as far as the British government was concerned, commitment to the Emergency was an additional financial constraint to those that already existed. With the declaration of the Emergency in June 1948, extra forces, including several hundred of the aforementioned former members of the Palestine Police, had been sent into Malaya. The period of national service had been increased from 12 to 18 months in December 1948, which resulted in raising the expenditure on arms production in 1949 by one-third. Between 1948 and 1949 the British 'were spending 20 per cent more on defence than the rest of the Brussels Powers put together and a greater proportionate share of their national income than the Americans'.¹²⁸ Therefore the Treasury was adamant that only 'if commodity prices, and consequently Malayan tax revenues, fell sharply would additional

¹²⁴ PRO T 220 281 FF 69-79 letter from Griffiths to Cripps, 18 Sept. 1950.

¹²⁵ PRO T 220 281 FF 101-103 letter (reply) from Gaitskell to Griffiths, 29 Sept. 1950.

¹²⁶ PRO T 220 282 FF 1-7 letter from Griffiths to Gaitskell, 24 Oct. 1950.

¹²⁷ PRO T 220 281 FF 101-103 letter (reply) from Gaitskell to Griffiths, 29 Sept. 1950; T 220 282 FF 150-154 letter (reply) from Gaitskell to Griffiths, 29 Sept. 1950 and 15 Nov. 1950.

¹²⁸ Bullock, *op.cit.*, pp. 612-13.

assistance be considered'.¹²⁹ The attitude of the Treasury was that Malaya 'should tax herself to the limit of her capacity'.¹³⁰

On the part of business, the mounting dissatisfaction with taxation led its leaders in 1950 to urge the British government to 'accept responsibility for the full cost' of the campaign,¹³¹ for the Emergency was not an intensive domestic disturbance, but a war¹³²; 'an Empire defence against a threat to the Empire'.¹³³ Business now portrayed the Emergency as part of the larger struggle of Communism for power in SEA, and thus the counter-insurgency as being of supreme significance not only to Malaya, but also to the whole Empire, and to the world.¹³⁴ Underneath this interpretation, there was careful consideration of who should take financial responsibility for the counter-insurgency. As far as business was concerned, the British government should agree to accept the full cost of the campaign. From the point of view of the British government however, rehabilitation work in Malaya and the measures taken to defeat the Communist insurgents had cost both metropolitan and Federation governments very large sums of money and would continue to be a heavy financial burden for both of them, especially in the case of the counter-insurgency operations. In addition, development plans, such as drainage and irrigation schemes, opening up of new rice areas, hydroelectric power, etc., were already underway or under consideration.¹³⁵ Thus further financial commitment was not feasible under such circumstances. Accordingly the government expected what it, in

¹²⁹ PRO T 220 281 Griffiths to Cripps, 18 Sept. 1950 and note by Clough, 27 Sept. 1950; T 220 282 Note by Clough, 28 Nov. 1950, cited in White, *op.cit.*, p. 121.

¹³⁰ PRO T 220 281 note by Colonel Russell Edmunds, 7 Oct. 1950, cited in White, *op.cit.*, p. 121.

¹³¹ PRO CO 537 5979 memorandum of Meeting, 10 May 1950, cited in White, *op.cit.*, p. 121.

¹³² PRO CO 537 5979 memorandum of Meeting, 10 May 1950, memorandum no. 5.

¹³³ PRO CO 537 5979 memorandum of Meeting, 10 May 1950, memorandum no. 1.

¹³⁴ *ibid.*

¹³⁵ PRO PREM 8 1407 Report by the Far East (Official) Committee of the Cabinet on Economic and Social Development in South and South-East Asia and the Far East, 1 Dec. 1951, Appendix A: Country Surveys: Individual Studies, p. 11.

turn, considered to constitute a fair share of the burden to be shouldered by private business interests, after all the operation would directly benefit them.

Business, however, did not agree with government. The Deputation from the RGA to the CO on November 1951 emphasised the fact that the rubber industry was not only paying both an Export Tax which was out of all proportion to taxes levied on any other industry and an Income Tax, but it was also contributing to general government expenditure, in the form of regrouping the labourers and expenditure on the provision of defensive measures. They also highlighted the effects of the termination of stockpiling and increased competition from synthetic rubber, which would jeopardise the chances of survival on many estates.¹³⁶ Adding to these factors were the loss of crops due to the physical damage on the trees, and disruption of working conditions caused by the Emergency, all of which added to increases in their levels of expenditure, but these costs were scarcely considered, if not ignored, by the British authorities.¹³⁷ In addition, the rubber industry was badly affected by delays in replanting, resulting in a situation in which it was predicted that output in 7-10 years time would only increase 'very slightly, if at all'. Tin mining also suffered severely, experiencing considerable loss of life and damage to property. Even up to the time when the memorandum was written for the preparation of Commonwealth Conference in September 1950, the tin mining equipment damaged by the effects of war was not all replaced due to delays in machinery deliveries.¹³⁸

¹³⁶ PRO CO 1022 39 memorandum submitted by the Deputation from the RGA to South East Asia Department of the FO, 15 Nov. 1951.

¹³⁷ PRO CO 537 7265 memorandum of the Meeting between the Secretary of State, CO, and RGA, 24 July 1951.

¹³⁸ PRO T 236 3301 memorandum for Commonwealth Conference, London, 4 Sept. 1950.

Apart from these indirect costs of physical damages, industry also partly financed the Special Constabulary scheme.¹³⁹ The Federation government paid for each Special Constable (M\$70 per month) up to an allocated number, and thus 'any employed over and above that number had to be paid for by the estates and mines themselves'.¹⁴⁰ Additionally, the individual companies contributed very large sums towards the costs of defence of their own estates, providing armaments for the staff¹⁴¹ and 'armoured cars, floodlighting, emergency leave and emergency personal accident insurance for the staff, auxiliary police and security officers'.¹⁴²

Another part of the counter-insurgency effort, the Briggs Plan, which, though effective, cost the firms dearly. This Plan was submitted for consideration to the British Defence Co-ordination Committee, Far East, in Singapore in May 1950, and its first execution began in Johore in the following June. The main objective of the Plan was to cut off the guerrillas from food and intelligence supplies by resettling squatters in a protected area with barbed wire and searchlights. As the costs of regrouping labour, which was an essential element in the Briggs Plan, were added to existing defence contributions, the British business leaders considered this to be a further injustice. Business argued that the Plan was 'of benefit to the whole country and not to estates and mines only'¹⁴³ and as such the cost 'should be borne by the community'.¹⁴⁴ Gurney,

¹³⁹ See PRO CO 537 7265 letter from J.D. Higham, CO, to Sullivan, 12 Oct. 1951 for the details of the areas of the financial responsibility inclusive the Special Constabulary Scheme laid on both the government and the owners of the private properties.

¹⁴⁰ Short, *Communist Insurrection*, p. 126, in White, *op.cit.*, p. 120.

¹⁴¹ PRO T 220 134 Chairman's Address at the Annual General Meetings of Malayan Tin Dredging, Ltd., Southern Malayan Tin Dredging Ltd., and Kramat Pulai Ltd., 15 Dec. 1948.

¹⁴² PRO CO 537 7265 memorandum of the Meeting between the Secretary of State, CO, and RGA, 24 July 1951.

¹⁴³ CO 537 7265 replies by Gurney and notes of discussions between Gurney and business deputation (representing the Rubber Producers' Council, the FMS Chamber of Mines, the Malaya Chinese Mining Association, and the FMS Chamber of Commerce), 21 June 1951.

¹⁴⁴ CO 537 7265 memorandum of the Meeting between Secretary of State, CO, and RGA, 24 July 1951 and memorandum on the Subjects for Discussion with the High Commissioner by the Deputation, 21 June 1951.

however, was adamant that the Federation government would not consider any contribution towards the cost of regrouping since ‘by regrouping added protection would be afforded to estates and mines’,¹⁴⁵ ‘which might otherwise have been forced through loss of labour etc. to close down’.¹⁴⁶ Moreover, ‘this was a measure of special protection for which in an Emergency individuals could reasonably be expected to accept liability’.¹⁴⁷ Business did not give up, but a month after their leaders’ discussion with Gurney, another representation was made to Griffiths in July to thrash out an answer to the question of whether extra expenditure arising wholly or partly from the Emergency should be met by individual companies or by the government. Moreover, the problem with the regrouping of labour on rubber estates inevitably arose as not all estates needed concentration, thus the cost of regrouping was very heavy in some areas while in others no further spending for that purpose was necessary.¹⁴⁸ Business leaders pointed out to Griffiths that if the government would take up the cost of regrouping of labour it would mean additional taxation, and that ‘they would not mind that because then the expenditure would in their view be equitably distributed’.¹⁴⁹

To business eyes, government was responsible for damaging business interests. For example, business firmly believed that when rubber prices (Ch. 4) were temporarily high, during the rehabilitation period of 1945-46, the British companies would have been able to pay the colossal costs incurred for rehabilitation and this would have provided them with a mechanism to deal with the settlement of war damage claims. Instead the

¹⁴⁵ PRO CO 537 7265 replies written by Gurney and notes of discussions between Gurney and the business deputation, 21 June 1951.

¹⁴⁶ PRO CO 537 7265 Gurney to Paskin, 3 Sept. 1951, cited in White, *op.cit.*, p. 119.

¹⁴⁷ PRO CO 537 7265 replies written by Gurney and notes of discussions between Gurney and the business deputation, 21 June 1951.

¹⁴⁸ PRO CO 537 7265 memorandum of the Meeting between the Secretary of State, CO, and RGA, 24 July 1951.

¹⁴⁹ PRO CO 537 7265 summary of the Secretary of State’s Reply to the Representations made by the four members of the Deputation, 24 July 1951.

government controlled prices, keeping them at pre-war level and there was a 'failure to come to any understanding as to a just settlement of war damage claims'.¹⁵⁰

Another notable difference between government and business concerned the post-war development plan for Malaya. In spite of the lack of finance, the British and Federation governments could not delay their plans for social and economic development in Malaya, which the government firmly believed would assist towards easing the Emergency.¹⁵¹ Business, however, found it ineffective to divert the counter-insurgent efforts, for instance, to social welfare schemes. To them, strong military action was the only alternative left in order to get a grip on the situation, and as the leaders of the mining industry would have it: 'first things first'.¹⁵²

Business was unhappy about the progress of the counter-insurgency. After all there were never more than 7,000-8,000 (a peak figure in 1951) armed guerrillas.¹⁵³ The business leaders and delegations representing local business organisations made several visits to the CO, and Gurney (before his assassination in October 1951) throughout 1950 and 1951 to urge tougher and more effective measures in containing the MCP. Business requested more troops at the beginning of 1950, and also, around a year later, the declaration of Military Law, for they judged the whole situation in Malaya to have

¹⁵⁰ *The Financial Times*, 16 Aug. 1949; also see M. Rudner, 'Rubber Strategy for Post-War Malaya, 1945-48', *Journal of Southeast Asian Studies*, Vol. 1, ISS. 1, 1970. Nevertheless business had some sympathisers within the British political establishment. There was recognition of the extent of the burden imposed on both business and the Federation government regarding rehabilitation costs and expenditure on defence purposes. The Members of the House of Lords who spoke during the wider debate charged the British government with an attempt to subject Malaya to a very raw deal with regard to these matters and urged the government to reconsider them and avoid making another major mistake in relation to that country (alluding to difficulties surrounding the Malayan Union Scheme). Lord Milverton, in particular, who had spent many years in Malaya (and was known among the British businessmen throughout Malaya as a wise and far-seeing administrator) warned, in relation to Malaya that '... if we do not face the facts of the present there will be no future to face.'; PRO T 220 134 Chairman's Address, 15 Dec. 1948. In another occasion Lord Milverton said a similar thing to the Secretary of the State, J. Griffiths, on their Meeting on 19 Dec. 1950: '... it was useless to divert manpower to planning for the future unless drastic steps were taken at once to ensure that there would be a future for which to plan', in CO 537 7265 memorandum of Meeting, 19 Dec. 1950.

¹⁵¹ PRO CO 537 5979 extract from Official Report of 15 December, 1950.

¹⁵² *ibid.*, and CO 537 7265 memorandum of Meeting, 19 Dec. 1950.

reached a critical stage where anything might happen. These requests, however, were firmly rejected.¹⁵⁴

While it is the case that this chapter is about government-business relations in Malaya during the latter period of Attlee's Labour government, it is necessary to briefly outline the nature of the early period of the preceding Tory government, under Churchill. This allows an element of comparison between the two parties in government, in order to identify the extent to which a different party in power marked a change in colonial policy and equally, and perhaps more importantly, the extent to which continuity was evident. Such an assessment enables the historian to shed light upon the extent to which the Attlee government's policies in Malaya can be seen as being specifically 'Labour' and to what extent they were a product of a general consensus amongst the political and state elites in Britain.

On 6 October 1951 Gurney was assassinated in an ambush, and after a month the insurgent forces were inflicting the heaviest weekly casualties that the security forces were to experience. In following December Briggs retired. Short writes that 'It was the worst of times.' Indeed the government policy on the Emergency seemed to have lost a clear sense of strategy by the end of 1951.¹⁵⁵ By this time it also appeared that the country was heading for 'economic chaos'. Detrimental effects were felt in the areas of both industrial efficiency and capital assets themselves, and this was most acutely the case in the areas of replanting, prospecting and in the inflow of capital. The major economic interests scorned those who sought to put social welfare before the suppression of the insurgency, and the government's leniency in dealing with captured

¹⁵³ Hall, *op.cit.*, p. 791; Short, *op.cit.*, p. 472.

¹⁵⁴ All from various files in PRO CO 537 5979 and 7265.

participants in its operation.¹⁵⁶ The Malay rulers were also becoming impatient with the slowness of the progress.¹⁵⁷

In Britain, there was a general election on 25 October in which the Conservative party under the leadership of Churchill won an overall majority of 17.¹⁵⁸ Churchill formed his government on 27 October, and Oliver Lyttelton was appointed the Secretary of State for the Colonies. Lyttelton certainly did not waste any time, but immediately declared that he regarded the Malayan problem as his first priority, and informed the Cabinet of his intention to visit Malaya.¹⁵⁹ During the preparatory meeting with the business delegations before his departure, various issues, such as the Briggs Plan, the possibility of the introduction of Martial Law, the future appointment of the High Commissioner, problems with rubber replanting and tin prospecting, and difficulties with recruiting European staffs were discussed.¹⁶⁰ Before his departure, he was asked by Churchill to write a memorandum on the situation in Malaya. The first on his list of priorities in that memorandum was to reassure the planters and miners of the government's determination and ability to support them, and to bring the anti-Communist campaign to a successful conclusion.¹⁶¹

Lyttelton left London on 26 November, and arrived at Singapore on 29 November. In addition to his meetings with various sections of the Malayan society including British businessmen and the MCS, he made a statement both in Malaya and in Singapore. Though the tone of each statement differed slightly, they both carried two

¹⁵⁵ Short, *op.cit.*, pp. 305-06.

¹⁵⁶ PRO CO 1022 39 memorandum submitted by delegation of joint Malayan interests at a meeting at the CO, 15 Nov. 1951, cited in Harper, *op.cit.*, p. 155.

¹⁵⁷ PRO CO 1022 148 no 2 savingram no 83 from M.V. del Tufo to Lyttelton, 25-28 Oct. 1951.

¹⁵⁸ Stockwell, *Malaya, Part II*, the author's own note in p. 304.

¹⁵⁹ PRO PREM 11 122 minute PM (51) 1 from Lyttelton to Churchill, 30 Oct. 1951.

¹⁶⁰ PRO CO 1022 39 no 3 CO record of a meeting between Lyttelton and a business delegation, 15 Nov. 1951.

significant messages: firstly, an emphasis on the operational side of the counter-insurgency and, secondly, a gradualist approach to granting self-government in Malaya, in other words, an assurance of British government's determination to stay on in Malaya. The significance of political and social progress was well recognised as an essential part of the struggle against militant Communism in Malaya, but Lyttelton stressed the urgency on addressing the 'immediate menace' because 'the best way of maintaining the people's confidence in Britain and of opening the path to political, social and economic progress was by winning the Emergency'.¹⁶² With regard to the granting of self-government to Malaya, after having considered the various aspects of the Malayan situation, particularly the communal problems and the progress of the counter-insurgency, he concluded that a premature grant to self-government would bring confusion, and 'almost certainly to civil war, and to throw the Malays into the arms of the Indonesians', thus to adapt the old wisdom of '*Festina lente*'.¹⁶³ His message to Malaya was exceptionally clear in his broadcast in Singapore on 11 December: 'we will protect it, we will stay, we will never quit until our aims ... have been achieved'.¹⁶⁴

To the delight of business Lyttelton was approaching Malayan affairs with the vigour that business had considered to be lacking from the Labour's Secretaries of State, Creech Jones and Griffiths. In contrast to his predecessors and other Labour Ministers who attached an equal significance to political and social developments as to the question of the counter-insurgency,¹⁶⁵ Lyttelton seemed to understand business rhetoric of 'first

¹⁶¹ PRO CAB 129 48, C(51)26 The Situation in Malaya: Cabinet memorandum by Lyttelton, 20 Nov. 1951.

¹⁶² PRO PREM 11 639 F51 inward telegram no 1214 from Lyttelton to Churchill, 8 Dec 1951; Short, *op.cit.*, p. 331.

¹⁶³ PRO CAB 129 48 C(51)59 Cabinet memorandum by Lyttelton, 21 Dec 1951.

¹⁶⁴ PRO CAB 129 48 C(51)59 text of broadcast in Singapore on 11 Dec. 1951 in Cabinet memorandum by Lyttelton, 21 Dec 1951.

¹⁶⁵ For instance, Strachey, the Minister of Defence, stressed, 'great firmness and vigour ... on the military and police side ... but equal firmness and vigour in pressing on with the economic and political

thing first', thus putting more urgency on the success of the campaign, as well as being absolutely explicit about British intention to stay on in Malaya. He also boosted the morale of businessmen and of the MCS by reassuring them that in the aftermath of granting of self-government that Britain would still have an important role to play in Malaya and that therefore their career prospects would not be diminished in the new circumstances.¹⁶⁶

His understanding with the problems that business faced, however, did not mean that the business lobbying always brought a positive result. In fact, there were issues on which Lyttelton never agreed with business. For example, when he was 'forcibly urged' by the expatriate business community during his visit to Malaya, firstly, 'to bring down all severity of the law' in order to apply hard punishment for paying protection money and, secondly, 'to dispense with the normal procedure and speed up the administration of justice through drumhead courts', he rejected these suggestions at once. He labelled these requests as 'point-blank', because 'At the point of a gun you would pay rather than be murdered', 'and so would I, and you know it'. He was particularly upset with the second proposal, so 'poured scorn' upon it: '... if we suspend the law because we are too incompetent to secure order, that is the end of us, of our mission and our ideals. Never ... will I agree to suspend the processes of law. Speed them up I will, if I can, but their principles must remain intact.'¹⁶⁷ This is a good example of the difference between officialdom and business. Politicians and officials held principles with regard to good governance. These principles, of natural justice and upholding the rule of law, had been pursued over the period of time and thus were deeply ingrained in the political culture and psychology of the political and civil service elite who enjoyed ideological hegemony

development of the country', in his minute to Attlee: PRO PREM 8 1406/2 minute from Strachey to Attlee, 11 Dec. 1950.

over the whole of the British polity, and thus they could not be dismissed merely for convenience. Business however, could be as flexible as it was necessary.

The Conservatives, even as an Opposition, proposed tougher measures for restoring the situation in Malaya through force of arms. Although this approach 'limited' them to concentrating on the immediate problem, as opposed to viewing things on the basis of a wider perspective regarding the Malayan issue, this way of doing things satisfied business better than did the approach adopted by the Labour governments.¹⁶⁸ Therefore it was correct to say, as it was pointed out in section 2.3, that business had more friends under the Conservatives than they had under Labour, at least at the beginning.

Immediately after Gurney's assassination, business had been pressing the government to appoint a new High Commissioner, 'someone of the very highest prestige, possessing very much greater powers' than Gurney or General Briggs.¹⁶⁹ Lyttelton went further than business, suggesting that one man should be in command and take responsibility for military operations and civil administration, in order to eliminate the possible conflict between the authorities and also to draw a quick decision process instead of wasting time through 'long drawn-out discussions [only] to reach an accommodation and compromise between two points of view'.¹⁷⁰ The decision to appoint General Templer to carry out such a task was taken as a wise decision by both governments.

Business pressured the government in another area, this time about the Police and its disorganisation. Short was convinced that it was the 'increasingly powerful and

¹⁶⁶ PRO CAB 129 48 C(51)59 Cabinet memorandum by Lyttelton, 21 Dec 1951.

¹⁶⁷ Short, *op.cit.*, pp. 332-33.

¹⁶⁸ *ibid.*, p. 326.

¹⁶⁹ PRO CO 1022 39 no 3 CO record of a meeting between Lyttelton and business delegation, 15 Nov. 1951.

vehement' representations by Malayan estate interests that effectively convinced Lyttelton that the Commissioner of Police, 'Gray must go'.¹⁷¹ As Short does not specify the exact dates of these delegations, it is difficult to come to full clarity about the sequence of these events. In fact, Lyttelton already recognised that the Police force was 'in utter disorder', and that Gray did not have 'the necessary grasp of organisation'. Field-Marshal Lord Montgomery of Alamein, who was then the Deputy Supreme Allied Command, Europe, was also urging Lyttelton to replace Gray (among others in significant position in the government), who according to him was 'in a hopeless state' and also 'unfit' for his jobs.¹⁷² Whilst it is difficult to assess which was the strongest influence on the subsequent decision to appoint the new Commissioner, this was one of the rare events about which the political, military and economic interests agreed.

In many respects, the Conservatives were willing to get a grip on the Malayan situation. The new Conservative government undertook some detailed studies, and open-ended meetings between government and business were often arranged. The Conservatives' determination to make progress on the counter-insurgency was greatly assisted by increased revenue thanks to the Korean War boom, and the impact made by Templer.

The price of rubber had begun to increase steadily, even before the outbreak of the Korean War, and dramatically rose during the War. Meanwhile, the duty collected from the exports of rubber rose from \$28.1 million in 1949 to \$214.1 million in 1951. The return from rubber exports together with duty from tin exports and increased income

¹⁷⁰ PRO CAB 129 48 C(51)59 Cabinet memorandum by Lyttelton, 21 Dec. 1951.

¹⁷¹ Short, *op.cit.*, p. 306.

¹⁷² PRO CAB 129 48 C(51)59 Cabinet memorandum by Lyttelton, 21 Dec 1951; PRO PREM 11 121 letter from Field Marshall Lord Montgomery to Lyttelton, 27 Dec. 1951. Montgomery's assessment on the Malayan situation, which was sent to Field-Marshal Slim, Lyttelton and Churchill, has another extreme statement on Gray and his job: 'No one in his senses could imagine him as a good Commissioner of Police.': from 260, 4 Jan. 1952.

tax contributed to the dramatic increase of the total revenue of 1950 from the estimated \$273.7 million, to \$443.4 million, and in 1951 to \$735.4 million. This budget surplus generated by the high commodity prices during the Korean War boom of 1950-52 assisted the Federation government 'to carry through rapidly the resettlement programme, the seven-fold expansion of the Police, the raising of 240,000 Home Guards and of four more battalions of the Malay Regiment'.¹⁷³ The rubber and tin companies, which had suffered from the slump in prices in mid-1949 together with the adverse effects of the Emergency, were also saved from further financial difficulties or even a possible bankruptcy, and could fortify themselves better.¹⁷⁴

Templer arrived in Malaya in early February 1952 with directives that specified his primary task as being to defeat 'communist terrorism', and the ultimate policy of the British government in Malaya as establishing 'a fully self-governing nation'. He brought new able people with him, such as Donald MacGillivray and General Sir Robert Lockhart as his deputies, and a new Commissioner of Police, A.E. Young. Under the new set-up the changes were implemented: the well being of the MCS, who suffered from poor working and living conditions, was thoroughly considered. The questions of forming a sound police force, building intelligence work, and obtaining full anticipation from the people by informing them 'the truth about what was happening' were also listed as the key priorities. More importantly his presence was felt everywhere, as 'he was not only there, but was most certainly seen to be there'.¹⁷⁵ According to an article of *The Strait*

¹⁷³ PRO CO 1030 17 The Protection of Estates and Mines: Policy resulting from the High Commissioner's Meeting with Planters and Miners, 8 May 1953.

¹⁷⁴ Stubbs, *op.cit.*, pp. 108-14; Short, *op.cit.*, pp. 346-349.

¹⁷⁵ *ibid.*, pp. 336-44; Stubbs, *op.cit.*, pp. 140-48.

Times, Templer 'invigorated the administration from the day he arrived'.¹⁷⁶ Indeed he energised the Malayan situation.¹⁷⁷

The early optimism among business about the Conservative government must have begun to fade soon after high taxation and the inadequate security again became contentious issues between them. In addition, in contrast to the early attitude towards addressing the Emergency before anything else, the Conservatives now did not want to lose the balance between 'Emergency demands on expenditure and the needs for long-term development'. The local elections were held in Malaya from February 1952 onwards. As the prospect of self-government in the country was becoming more real, social and economic development was becoming more significant for the Malaysians to prepare themselves for the future. The hope of a swift victory was also already given up by then, and ultimate success in defeating the insurgents seemed to depend 'as much upon social and economic development as upon police and military operations'. This was especially the case in the light of a situation in which life had come to be normalised and where morale was good, yet still unreliable. The question of maintaining high morale in such circumstances came to be seen as the factor upon which the whole future of British interests in Malaya were dependent upon.¹⁷⁸

The demand for Malayan rubber and tin ended as soon as the Korean War entered into a stalemate in 1952 and eventually ended in July 1953. On the part of business, the loss of the Chinese market due to the strategic embargo on rubber exports to the country after it was confirmed to be directly involved in the War, followed by the marked fall in the prices of rubber and tin, badly affected the Malayan extractive

¹⁷⁶ *Strait Times*, 1 Jan. 1954, cited in Stubbs, *op.cit.*, p. 145.

¹⁷⁷ Short, *op.cit.*, p. 343.

¹⁷⁸ PRO T 220 284 F23 letter from Lyttelton to Butler, 30 July 1953.

industries as well as rubber processing industry in Singapore.¹⁷⁹ Independently of the ongoing discussions between the British CO and Treasury on financial assistance for Malaya, the Federation government itself had to economise their spending in the prospect of balance deficits for the coming fiscal year, and the only way to achieve all these was to reduce Emergency expenditure by a considerable sum. Accordingly, General Templer warned the planters and miners that a reduction of 10,000 Special Constabulary, which would be made by the end of 1953, and that if the drop in national revenue continued, a further reduction in Special Constabulary funding might well be possible by the end of 1954.¹⁸⁰ This reduction of Special Constabulary meant more burdens on the estates and mines if they wanted to keep the same degree of security that they used to as a result of government assistance, which, of course, was greatly assisted by business contribution in taxation: 'The CO estimated that in 1954 locally-domiciled rubber companies were paying 53 per cent of their profits in taxation, while UK-domiciled firms paid 64.5 per cent.'¹⁸¹

An official source of the Foreign Office records that in 1951 SEA accounted for a greater proportion of the total world return of investment than in the three preceding years thanks to the greatly increased return from Malaya. According to the comparative data for 1938 and 1951, 'in the pre-war period, the Commonwealth countries of South Asia provided two-thirds of the return from the region, but in 1951 their contribution had shrunk to a little over one-third; whereas Malaya's share had risen from about one-eighth

¹⁷⁹ Overseas Economic Survey, Malaya, March 1951. HMSO, London, 1952, pp. 3-6, cited in Short, *op.cit.*, p. 349.

¹⁸⁰ PRO CO 1030 17 The Protection of Estates and Mines: Policy resulting from the High Commissioner's Meeting with Planters and Miners, 8 May 1953.

¹⁸¹ PRO CO 1022 71 Minute by Harding, 4 Jan. 1954, cited in White, *op.cit.*, p. 119.

to over half'.¹⁸² The same source also noted that in spite of all hazards, British investments in 1954 were moving from South Asia to SEA, especially to Malaya.¹⁸³

An acceptance of these statements, literally without any examination on other relevant factors, misguides us. One has to question whether there had been a real enthusiasm among investors to rush into Malaya. The only possible explanation for the great return of 1951 seems to me to have been the Korean War boom and the resultant massive company profits that were remitted to Britain in the form of lucrative dividends. By the second half of 1952, the boom had already showed signs of downturn and the Federation government predicted a budget deficit for the fiscal years of 1953-1954. After a year in July 1953 Lyttelton began to press the Treasury for a pledge of financial assistance for the Malayan government, which, despite the high taxation and local loans, faced the extreme deficit of about £10 million.¹⁸⁴ In the meantime the political process towards independence was running smoothly. The electoral success of UMNO-MCA (Malayan Chinese Association) Alliance after the formation of their partnership in January 1952 went from strength to strength, sweeping the municipal and town council seats, and then came their victory in state elections. The initial climax was when the UMNO-MCA-MIC (Malayan Indian Congress) won the federal election in July 1955 with an overwhelming majority in 51 of the 52 seats contested. Another significance of the elections was that the electoral campaigns throughout the period provided a platform

¹⁸² PRO FO 371 111917 D1152/3 UK Economic Interests in the Far East, South-East and South Asia, 20 July 1954, p. 3.

¹⁸³ PRO FO 371 111917 UK Economic Interests in the Far East, South-East and South Asia, 20 July 1954, cited in Stockwell, 'British Imperial Strategy and Decolonization in South-East Asia, 1947-57', in D. Bassett, and V.T. King (eds.), *Britain and South East Asia*, Hull, Centre for South East Asian Studies, Occasional Paper 13, 1986, pp. 81-2, in White, *op.cit.*, p. 122.

¹⁸⁴ PRO T 220 284 F23 letter from Lyttelton to Butler, 30 July 1953. The deficit was covered by outside loans from the British government, Brunei and Singapore: Overseas Economic Survey, Malaya, March 1951. HMSO, London, 1952, pp. 3-6, cited in Short, *op.cit.*, p. 349.

for the voice of non-communist Malayan nationalist (in other words, anti-British) sentiment.¹⁸⁵

The British and Malayan governments were convinced by Tunku's leadership as well as about the inevitability of acceleration in the independence process.¹⁸⁶ However, this orderly development did not necessarily provide the business communities in Malaya with a feeling of stability and certainty.¹⁸⁷ The Emergency was 'still far from won' and the guerrillas could still inflict heavy damages to the plantation economy.¹⁸⁸

With regard to the move of investment towards SEA around 1954, if the report correctly reflecting the reality, then it must be said that the investors might have seen a future in an independent Malaya despite their fear of the dictatorship of nationalism, natural to any newly-born independent country. Again if the Treasury was right in assuming that 'private investment was powerfully influenced by such unpredictable factors as world market trends, the state of security, political feeling and so forth', but above all confidence, Malaya during this period must have had some qualities in its own right that convinced the business interests to invest into the country.¹⁸⁹ However, some empirical evidence suggests the opposite. Although the process towards self-government was smooth yet rapid and Tunku promised a peaceful transition and continued cooperation between Malaya and Britain, there was still uneasiness among the business community about the political future of the country.

¹⁸⁵ Stubbs, *op.cit.*, pp. 208-19.

¹⁸⁶ Hall points out other factors that contributed to the decision to grant independence for Malaya, such as 'the Alliance's willingness for Malaya to remain in the British Commonwealth and to conclude a defence agreement permitting Britain to maintain military bases, including a Commonwealth strategic reserve, in the country': Hall, *op.cit.*, pp. 886-887.

¹⁸⁷ Harper, *op.cit.*, p. 203.

¹⁸⁸ PRO T 220 284 F23 letter from Lyttelton to Butler, 30 July 1953.

¹⁸⁹ PRO T 236 3301 memorandum on the Federation of Malaya for Commonwealth Conference, London, Sept. 1950.

As we will see in Chapter 7, the British agency houses in Malaya had already begun to diversify the location of their businesses at the end of 1940s and beginning of 1950s. In March 1951 an economic survey organised by the HMSO reports this feeling of uneasiness among the business community and a 'consequent decline in the incentive to engage in fresh industrial and commercial enterprise'.¹⁹⁰ March 1951 was the time when Malaya was about to feel the full impact of the dramatic commodity price rises and the new prosperity that affected the whole society. Still Harper points out a register of unease among the Asian, particularly ethnically Indian, business community in Malaya. Such anxieties over the progress of the Emergency and the political future of Malaya, where many of them were not eligible for citizenship, were evident in the increasing transfer of wealth out of Malaya, owned by these sectors, which was now taking place on a large scale, as well as the rapidly increasing remittances among Indian labourers. The almost ten-fold increase with their remittances to India between 1949 and 1951 probably owed much to the War boom, together with, as Harper rightly explains, the fact that the Indians saw business opportunities in the process of industrialisation in India and there was a relaxation of tax on remittances to boot. It should also be taken account that at this time, British firms did not enjoy an especially favourable position over the local enterprises.¹⁹¹ The Emergency entered into a relatively calm stage as the MCP focused more on building up political ground in accordance with the October 1951 directives, which put an equal emphasis on military and political activities, and thus there were comparatively fewer guerrilla incidents. In spite of this development Asian business, especially small Asian estates, which had been exposed to the full force of the MCP's 'Liberation War' and often forced to provide the bulk of payments to the MCP,

¹⁹⁰ Overseas Economic Survey, Malaya, March 1951. HMSO, London, 1952, pp. 3-6, cited in Short, *op.cit.*, p. 349.

unsurprisingly had little faith in the prospect of smooth progress. In addition, after having lost money in Ceylon, Burma and Indochina, the Indian businesses were being cautious in Malaya as the political future of the country was yet uncertain.¹⁹²

Indeed the orderly process of independence through local and federal elections hardly provided assurance of their future to the business community in Malaya. European investment was however, far from being in decline. On the contrary 'the consumer revolution of the 1950s saw the establishment of more European concerns — Unilever, ICI — producing soaps, beer, tobacco and biscuits locally. The construction boom created an upsurge in production of cement, bricks and plywood.'¹⁹³ These investments in manufacturing consumer goods might face a fierce local competition especially after independence. Even so, these manufacturing firms had the advantage being in a position to export their goods to the neighbouring countries, whilst the British firms in the Malayan extractive industries did not. Their products were by and large dependent on the US market, in which there was a bigger risk that the dollar earning capacity of the industry might tempt the newly independent country to strategically and gradually expropriate foreign business interests from the country. The result was 'estate subdivision' which was becoming normal practice, especially among British estate companies, between 1955 and 1960. Disposal of their holdings in this particular manner was caused by 'the deepening doubts over their ability to compete in future in world rubber markets, compounded by anxieties over Malayan nationalism on the coming of independence'. Putting the suggested adverse effects of the subdivision aside, this particular episode assures us that real fear within the expatriate business community,

¹⁹¹ B.R. Tomlinson, 'British Business in India, 1860-1970', in R.P.T. Davenport-Hines, and G. Jones (eds.), *British Business in Asia Since 1860* (Cambridge, 1989), pp. 92-116.

¹⁹² Harper, *op.cit.*, p. 203.

¹⁹³ Rajah Rasiah, 'Foreign Investment and manufacturing growth in pre-independent Malaysia' (unpublished paper, 1992), in Harper, *op.cit.*, p. 202.

especially among those in the British companies, was evident. As independence was approaching 'British investors became "somewhat anxious" of their holdings in Malaya'.¹⁹⁴

By June 1953 the guerrilla units were finding increasingly difficult to secure food and support among the 'masses', which altogether made them difficult to return to the offensive on a broad scale. In spite of such difficulties for the insurgents MacGillivray and Templer continued to warn that 'the end of communist terrorism in Malaya is by no means in sight'.¹⁹⁵ Insomuch the 'strictest possible control of food supplies and restrictions on movement of food, vehicles and individuals in certain areas and at certain times' was effective, these, especially the food denial operations, created bitterness and hostility among the suffering masses. Thus, the concept of the White Area was created where, in the opinion of the local authorities, such harsh measures were no longer needed, and thus it was possible to give the people some breathing space, and to encourage their cooperation and at the same time to lighten the burden of government by reducing a number of guards used to supervise the practice of the restrictions. The first execution of the policy came in September 1953 in a part of the central district of Malacca. During the next two and a half years almost half of the entire population were affected. The White Areas were declared, and expanding, yet, the guerrillas continued to be able to inflict much damage to the plantation economy. The apparent upward turn in investments directed towards SEA should not be taken literally. Before a full assessment can be drawn, a number of other factors need to be taken into account. Though it should be studied separately, the move might have been the result of the accelerated process of

¹⁹⁴ Rudner, 'Development and Anti-Development

Chapter. 6 Interactions Between State and Firm During the Attlee Government: A Comparative Studies on the Cases of British Business Interests in Indonesia and Siam

In this chapter parallels are drawn between Indonesian and Siamese cases in order to highlight the similar reactions of the British authorities and British enterprises to almost entirely different circumstances during the post-war period. The major issues and obstacles to British businesses in Indonesia were the physical insecurity of workers and staff, the political uncertainty, and also the Dutch and Indonesian governments' policies, which were detrimental to the interests of foreign business. In Siam the British feared US competition and a recurrence of anti-foreign sentiment in the country.¹ The differing background and characteristics of the sequence of events in these two countries make a straightforward comparison difficult, and therefore the conclusions drawn will not be more than tentative.

6.1 The Historical Relations of Indonesia and Siam with Foreign Business Interests

Indonesia and Siam do not have the same historical experiences of interaction with the Western powers. Indonesia was a Dutch colony for more than three centuries, except for the brief interlude of British rule between 1811-1816 under Sir Stamford Raffles, who later established the free port of Singapore in 1819.² During the early period of the

¹ Such sentiment might be described as being 'more nationalist' than 'anti-foreign', for the Siamese government of the 1930s, despite its pursuit of an economic nationalist agenda, accepted the presence of foreign influences upon Siamese matters, though understandably it was primarily because of the Siamese's fear of losing their sovereign power if they pushed the foreign powers too far.

² Under the Dutch colonisation the existing structure of the indigenous society, in which the peasantry had previously been able to force the aristocracy to respect their rights, became far more hierarchic and authoritarian to suit the Dutch administration. While the indigenous merchant class was nearly eliminated, the Chinese, with the support of the Dutch and to a large extent of native aristocrats, became indispensable to the Indonesian economy through their intermediary position as retailers of imports, and collectors of local produce. Area leases provided the Chinese with political and economic authority over the leased villages or districts and they were also given various monopolies over such matters as the

discovery of the Indonesian Archipelago, expeditions from England had normally met with stubborn and brutal opposition from the Dutch. They had previously expelled the Portuguese and thus had no intention of sharing the rich resources of the Archipelago with the latecomers.³ However, the introduction of rubber and other tropical products, and the discovery of oil in North and South Sumatra and in Eastern Borneo at the end of the nineteenth century further attracted various foreign interests, including the British, French, Belgian, German, Swedish, and Americans.⁴ The Dutch, who did not have enough capital to develop the abundant natural resources in the Archipelago, finally permitted foreign capital, while simultaneously ensuring that they did not discriminate against its own interests.⁵ In the field of agricultural development, while Dutch capital was still dominant in Java, British and other foreign investments outweighed Dutch interests in the opening up of the Outer Islands, which became the main focus for new economic development in the NEI. The production of coffee, copra, pepper, sugar, tobacco, tin, oil and rubber in these Outer Islands rapidly increased in the hands of foreign enterprises, and the Islands surpassed Java by 1930 as fields of investment and as source of exports.⁶

Among the non-Dutch sources of foreign capital imports, British investment was distinctive in terms of its scale and the variety of business interests. For instance, it was the British who took a lead in the expansion of the tea industry in the Archipelago.⁷ British participation in the Indonesian rubber industry was the most important

terms for the collection of road tolls, bazaar fees, customs duty etc.: G. McT. Kahin, *Nationalism and Revolution in Indonesia* (Ithaca, 1952), pp. 1-36.

³ Woodcock, *op.cit.*, pp. xx-xxi.

⁴ The production of copra, palm oil, sugar, coffee etc., made Indonesia to become the archetypal tropical agricultural exporter: Reid, 'Indonesia: Revolution without Socialism', p. 121; D.W. Fryer and J.C. Jackson, *Indonesia* (London, 1977), p. 153.

⁵ Pluvier, *op.cit.*, p. 43.

⁶ M.C. Ricklefs, *A History of Modern Indonesia: c. 1300 to the Present* (London, 1981), pp. 144-45.

⁷ Allen and Donnithorne, *Western Enterprise in Indonesia and Malaya*, p. 31-2.

investment: of the issued capital of all rubber companies operating in the NEI around 1910, 69 per cent of the total was British, Dutch 17 per cent, Belgian and French together 13 per cent. Another example of British investment active in Indonesia was oil, the second largest foreign exchange earner after rubber. The Shell Transport and Trading Company (British) and 'de Koninklijke' merged to create Royal Dutch Shell in 1907, and by 1930 the company was producing around 85 per cent of the total oil production of the NEI.⁸

Estimates of the amount of British capital directly invested into the Archipelago vary, though it was probably between £50 million and £60 million.⁹ Due to Dutch economic liberalism British capital was admitted on the same terms and conditions as that from The Netherlands. Although The Netherlands no doubt had some preference in the supply of goods purchased by the NEI government, import duties were still not unduly high and there were no official preferential duties. British interests in the Indonesian Archipelago varied from agriculture, manufacturing industries (mainly mineral oil, cigarettes, molasses), retail, trade, shipping, to banking and insurance.¹⁰

Siam, contrary to the Indonesian experience, was never colonised by a Western power. She was the only Southeast Asian country that had managed to maintain her independence, but such 'independence' was nominal, rather than real.¹¹ The maintenance

⁸ J.A.M. Caldwell, 'Indonesian Export and Production from the Decline of the Culture System to the First World War', in C.D. Cowan (ed.), *The Economic Development of South-East Asia: Studies in Economic History and Political Economy* (London, 1964), pp. 88-89. American companies, Caltex and Stanvac, obtained major concessions in the 1920s.

⁹ *The Economic Survey of the NEI* by Economic and Industrial Planning Staff in the Treasury estimated the total direct British investment in the NEI at £56 million excluding the indirect form of investment represented by British holdings of NEI government loans: see PRO T 236 1290, 1291, and 1292 and FO 371 76162.

¹⁰ PRO T 236 1291 memorandum on British Trade in the Netherlands East Indies by the British Chamber of Commerce for the NEI, March 1947, pp. 1-2.

¹¹ Aldrich is outspoken in denying the existence of Siam's status of independence, preferring to attribute to Siam an 'informal colonial status' in relation to Britain, though later he toned down his characterisation of Siam, describing it as being subject to 'informal British dominance'. Indeed, it is the

of such formal sovereignty came with high costs: firstly, in the form of the hand-over of large, yet peripheral, territories to the British, and the French¹²; secondly, in the form of foreign intervention, through a series of unequal treaties forced upon the Siamese, which resulted in 'ceding to the Western powers a variety of similar economic, legal, and diplomatic privileges'.¹³ Prior to the war, the British enjoyed a dominant position in Siam among the Western powers through the strong presence of British Advisers to the Siamese government, and of substantial business interests. There were also close financial and economic ties between the two countries, firmly based in the Siamese reliance on British loans and in the fact that the Siamese trade was bound with the British Empire, especially with Malaya. The British Advisers were able to ensure that Siamese political policies reflected the broad interests of the informal metropolis. The role of the British Financial Adviser often went beyond the original remit of assisting the Siamese government with technical aspects of the Siamese economy, and focussed on maintaining British economic and financial interests, thereby exercising a degree of political influence in Siam.¹⁴ British diplomats, though rarely having good relations with British financial

case that the British Legation was seen by many at that time as having the attributes of a 'High Commission': Aldrich, *op.cit.*, pp. 1-6. In fact, the expression of 'High Commission' was not Aldrich of own, but seems to be that of the Americans: (see Aldrich, footnote 4, in p. 3). Nevertheless his explicit explanation on the informal British dominance in Siam in comparison with the growing tendency in the late nineteenth and early twentieth century of indirect rule in India, Burma and Malaya, through the presence of advisers and residents, suggests that his own view is not far different to regard British Legation as a 'High Commission'. Also see P. Kratoska and B. Batson, 'Nationalism and Modernist Reform', in N. Tarling (ed.), *The Cambridge History of Southeast Asia*, vol. three: From c. 1800 to the 1930s (Cambridge, 1999), p. 288. .

¹² In 1909 Siam transferred its right of sovereignty over the states of Kedah, Perlis, Kelantan and Trengganu to Britain, which later formed the Unfederated Malay States. Although these territories had been under the suzerainty of Siamese crown, they were in real term the Malay states in terms of religion, race, and language. The lost territories in French Indochina were, however, populated with ethnic 'Thai', thus became subject to the increasing Siamese irredentism in the late 1930s and beginning 1940s: Aldrich, *op.cit.*, pp. 177-78. Also see Stowe, *op.cit.*, Ch. 8 'The Triumph of Irredentism', pp. 143-178.

¹³ B.A. Batson 'Siam and Japan: the Perils of Independence', in A. McCoy (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), pp. 267, 270.

¹⁴ Aldrich, *op.cit.*, pp. 70-71. Also see *ibid.*, p. 9, for William Doll's account of the objectives of his aims as the Financial Adviser (1936-42, 1946-51).

officials in Bangkok,¹⁵ also worked on keeping British interests in the country. Josiah Crosby, for example, the British Minister since 1934 was known for his sympathy for Siamese nationalism,¹⁶ but he also considered his task as being 'to uphold and expand Britain's predominant influence in Siam'.¹⁷ Nonetheless, this independent status permitted the Siamese to initiate internal political developments. The June 1932 coup that overthrew the absolute monarchy of Siam did not involve any foreign intervention or influence, though foreign representatives were subsequently informed of the events and assured of their safety.¹⁸ Siamese independent decision-making is also shown in the presence of economic nationalism in the 1930s, through which the Siamese attempted to 'impose greater Siamese control over the economy as a whole'.¹⁹ Indeed, the Siamese were not completely uninfluential and the formal independent status, in addition to their diplomatic, albeit opportunistic, ability, helped them through the period. According to Stowe, Siam remained 'an oasis of peace' during the inter-war period, especially before the 1932 coup and the subsequent tendency toward economic nationalism in the nation's political thought occurred. She used this phrase to describe the Siamese ability to remain 'stable and serene' in the face of increasing tension elsewhere in Asia, due to the rising conflicts between Asian nationalism and European colonialism. Stowe's expression also implies an existence of stability in the country on which any expatriate firms relied heavily to maintain their business interests.²⁰

The attempts by the British to open up trade with Siam throughout the early nineteenth century finally bore fruits in 1855 when Sir John Bowring succeeded in

¹⁵ See *ibid.*, pp 157 ff for the divergence and interdependence between the British diplomats and the Financial Advisers.

¹⁶ *ibid.*, pp. 154-56, 172, 369.

¹⁷ J.A. Stowe, *Siam Becomes Thailand: A Story of Intrigue* (London, 1991), p. 94.

¹⁸ *ibid.*, p. 21.

¹⁹ *ibid.*, p. 36.

²⁰ *ibid.*, p. 7

obtaining a commercial treaty with the Siamese. This treaty was immediately followed by similar treaties with other European countries as well as the USA, and by an influx of foreign merchant houses, mostly British. The proceeding few decades saw almost no changes to the business environment. It was only between 1880 and the outbreak of the First World War that the numbers of trading firms expanded, as the Siamese economy itself developed and rice exports grew rapidly. This was also the time that the British companies became directly involved in teak extraction to replace the already exhausted Burmese teak forests. Siam did not possess natural resources that the Western countries desired other than timber and relatively rich tin ore. The economic backwardness of the country with under-developed crucial economic infrastructure, such as roads, railways, and circulation of currency, limited business opportunities for foreign enterprises. 'Siam in 1914, and even in 1940, was a poor, sparsely populated, and overwhelmingly agrarian country.' There was neither a rich internal market for western goods nor sufficient revenue for the government to boost development projects in which the Western firms could take part. In addition, the political sovereign state of Siam was a 'hindrance' to foreign firms, for the former increasingly wanted to retain their control of economic matters. The Siamese governments' dilemma was that they needed foreign enterprise to modernise the economy which was otherwise almost completely dependant on rice-growing, but the extension of foreign businesses brought further foreign political intervention to protect their subjects and business interests.²¹

During the inter-war period Britain and the British Commonwealth countries were the most significant as the principal suppliers of imports to Siam, and the biggest markets of its exports of rice, tin, and rubber. The British also had substantial interests in

²¹ M. Falkus, 'Early British Business in Thailand', in R.P.T. Davenport-Hines, and G. Jones (eds.), *British Business in Asia Since 1860* (Cambridge, 1989), pp. 117-56. The quotation is from p. 125.

Siam in banking, shipping and trading and extraction of tin and teak, and had the biggest number of residences and of people employed by the Siamese government as foreign experts and technicians.²² The position of Financial Adviser, the most important among foreign advisers, instituted in the 1890s, continued to be held by British nationality until 1951 when the system was abolished.²³ The pre-eminence of the British position in Siam made the Siamese government cautious in permitting further extension of British interests in the country, and attempted to keep balance between the foreign influences. British investments were 'extremely limited' in, for example, railway construction, together with urban infrastructure and plantations, because of the country's backwardness and poor internal communications. On the other hand, the Siamese government was determined to control its own railways by providing capital for the development as far as possible from its own source as a means not 'to allow any one country to become too powerful'.²⁴ This was due to the position that once Siam was dependent on foreign capitals for construction, it was certain that the major capital investment would come from the British.

The desire to control its own economic affairs was hardened by the Siamese experience of the Great Depression, during which time its tight bond with the British imperial system of finance and trade was questioned. Siam's biggest export industry, the rice trade, was hit by the reduction of imports by the commodity producing Malaya and

²² PRO FO 371 46545 F4298/G report by the Far Eastern Committee on Policy towards Siam, 14 July 1945, p. 16; FO 371 46544 F3491/296/G40 revised draft report on terms for Siam, 31 May 1945, p. 22; Falkus, *op.cit.*, pp. 121, 155-56; Aldrich, *op.cit.*, p. 7. British capital investment in Siam was around a third of those in the NEI in the late 1930s, which was around £20 million (Falkus, *op.cit.*, p. 117, and Aldrich, *op.cit.*, p. 7). A survey of British capital interests in Siam, drawn up by the Far Eastern Committee one day before the Japanese surrender, suggests that if the banks, the Borneo Company, the Anglo-Thai Corporation, and Burma Corporation were gathered together, they would cover about 95 per cent of British economic and commercial interests in Siam: PRO BT 11 2515 letter to D. Carter, Trading with the Enemy Department, 21 Aug. 1945.

²³ Falkus, *op.cit.*, p. 121, and also see, Aldrich, *op.cit.*, pp. 161-63 for the British efforts to preserve the system of advisers and the position of the Financial Adviser for the British nationality.

²⁴ Falkus, *op.cit.*, pp. 124-25.

Indonesia. Britain's departure from the gold standard in September 1931, without any prior discussion with the Siamese, after having persuaded Siam to enter the system two years earlier on, left her alone to deal with the sharp fall in exports and of the value of its currency reserves (about £5 million) held in London. This incident not only damaged Britain's prestige in Siam, but also made the Siamese 'to strengthen the nationalist demand for the removal of foreign control over the country's economic life'.²⁵ Subsequently, a series of measures were taken to promote Siamese participation in business and industry through state enterprises. New taxes on income and business premises were imposed, and tariffs were readjusted. As a result, the economic climate for foreign firms became increasingly difficult.²⁶ Additionally Britain faced fierce competition from Japan, the USA and Germany. Whereas the British might appear to dismiss the scale of the economic interests of the USA in Siam, there was in fact rising tension among the British prior to 1937 with the prospect of American becoming 'the most confident challenger to Britain's economic position' in Siam. The threat in fact came not by any direct challenge from them in Siam, but by the global ascendancy of US economy in terms of manufacturing and by the growing power of the dollar.²⁷ The appeal of the 'relatively liberal attitude' of USA in the Philippines to the Siamese also appeared to be a threat to the dominant position of Britain in Siam.²⁸ In fact it was Japan who replaced Britain from 1937 onwards as the biggest source of Siam's imports, occupying 28.3 percent between 1936 and 1937 compared with Britain's 11.6 per cent,²⁹ and its growing strategic interest in Siam from the late 1930s was evident by their encroachment to the

²⁵ Aldrich, *op.cit.*, pp. 6-7, 61-74. The quotation is from Hall, *op.cit.*, p. 808.

²⁶ Stowe, *op.cit.*, pp. 49, 102, 118-19.

²⁷ Aldrich, *op.cit.*, pp. 16-19.

²⁸ *ibid.*, p. 77.

²⁹ *ibid.*, pp. 182-83; Falkus, *op.cit.*, p. 155. The Japanese share of Siam's imports was mere 3 per cent in 1928: Stowe, *op.cit.*, p. 92.

country through the 'mediation' during the Siamese irredentism movement.³⁰ Japan's increasing strategic interest in Siam however, resulted in strengthening the position of the USA in strategic thinking of Siam and the European colonial powers as 'the key determinant' for them in SEA.³¹

Prior to the war the Americans did not possess any matching scale of commercial interests nor did they enjoy any direct political influence over Siam. They also failed to take advantage of Britain's declining prestige in the country during and after the Great Depression by contemptuously refusing Siam's request for a loan, participating in 'highly acrimonious' disputes over oil issues, and continuing the hard-line policy of Washington as opposed to the soft approach of the local American authority in Siam. British dominance in Siam remained intact at least by the mid-1930s despite the continued decline of British power elsewhere in Asia in front of the successful territorial expansion of Japan over East Asia. Her position, however, floundered towards the end of 1930s due to war pressures in Europe, and the consequent decline of the benefits to Siam of association with sterling. The war in Europe also boosted the relative significance of the US role within the strategic considerations among Britain, Japan and Siam: while Britain was increasingly preoccupied by the tension in Europe, the USA was now considered to be 'the absentee-arbiter of the European empires in Asia'. Siamese expectation of the USA as a counterweight to Japan in Asia did not materialise however, because of the Americans' reluctance to perform such a role.³² In these circumstances when the Siamese Premier, Pibul Songkram, was given an ultimatum to either allow the Japanese troops to

³⁰ Stowe, *op.cit.*, Ch. 8 'The Triumph of Irredentism', pp. 143-178. Also see Baston, *op.cit.*, pp. 269-73 for the Japanese increasing strategic interest in Siam prior to the outbreak of the Pacific War.

³¹ Aldrich, *op.cit.*, p. 16.

³² R.J. Aldrich, *The Key to the South: Britain, the United States, and Thailand during the Approach of the Pacific War, 1929-1942* (Kuala Lumpur, Oxford, Singapore, New York, 1993). The quotation is from *ibid.*, p. 195.

transit the Siamese territory and to provide supplies for them, or face the consequences, he was not in a position to refuse the requests.³³

6.2 The Japanese Occupation in Siam and Indonesia

The wartime experience of the NEI differed to a large extent from that of Siam. While Siam was comparatively unscathed by the war, Indonesia experienced a similar, if not bigger, scale of mobilisation, militarisation and politicisation of the population as occurred in Malaya. Siam retained her political sovereignty, but the economy was tightly tied to that of Japan's due to the regional economic interdependence. As a result of this dependence its economy suffered from the collapse of the export economy, shortages and inflation.³⁴ Despite these problems basic foodstuffs in general were still abundant throughout wartime, and basic utilities and household goods were provided.³⁵ The residing Japanese troops in Siam, which never numbered less than 50,000,³⁶ were kept physically isolated by the Siamese governments' deliberate efforts, thus their direct influence on the everyday lives of the population at large was somewhat negligible. According to Aldrich, the Siamese war experience was 'uniquely untraumatic'.³⁷ By

³³ Stowe, *op.cit.*, pp. 209-225.

³⁴ As a result of the collapse of the export economy, there was a catastrophic slump in government revenue, which was mainly derived from tariffs on foreign trade. By August 1942 Pibul had already declared that 'the country was on the verge of bankruptcy'. The large credit and cash loans, which had been forced on Siam by Japan on several occasions, and the establishment of an artificial exchange rate between baht and Japanese yen, in order to ensure that the Japanese were able to purchase a large volume of commodities from Siam, substantiated the devaluation of the Siamese baht, and thus exacerbated inflationary pressures. The figures prepared by the Siamese government in 1944 to argue against Japanese demands for further loans show that the cost of living index for Bangkok had risen to almost three times that recorded in 1940. Yet, Siam was comparatively much better off than, for example, Burma and Malaya, where the Japanese circulated money more than sixteen and eighteen times respectively than the level that was usual: Batson, *op.cit.*, pp. 267-302. The quotation is from Stowe, *op.cit.*, pp. 233. The calculation is based in Donnison, *op.cit.*, pp. 222-23. Also see *ibid.*, pp. 311-12 for examples of price increases during and immediately after the end of the war in Burma and Malaya

³⁵ Batson, *op.cit.*, pp. 276-78; Stowe, *op.cit.*, p. 239

³⁶ Stowe, *op.cit.*, p. 239

³⁷ Aldrich, *op.cit.*, p. 30.

contrast, the Japanese occupation period in Indonesia³⁸ was described as having turned the economic and social conditions of the country completely, 'upside-down, dissolved, and destroyed'.³⁹ The Japanese divided Indonesia into three parts: Java and Sumatra came under the control of the Japanese Army and the rest of the islands under the Navy. Each area had own autonomy and contacts between them were strictly controlled, while overall ultimate responsibility was given to the Japanese Southern Area Command in Saigon.⁴⁰ In the economy, Indonesia experienced similar degree of exploitation and destruction to its economic structure as in Malaya. The pre-war ownership of all plantation land and contractual arrangements between the hereditary rulers, the plantation companies and the former Indies government were disavowed. Attempts to keep the plantations in production were eventually relinquished by late 1943 due to rapidly growing food shortages. The rubber, oil palm, tea and tobacco estates were accordingly cleared, then divided into small-holder cultivation for food production to grow rice, corn, maize and other urgently needed food crops. This breakdown of the plantation system and of production of commercial crops brought massive dislocation of the export-oriented Indonesian economy, which never recovered to the same degree.⁴¹ Another significant issue with regard to the Japanese occupation in Indonesia is the controversy around the claim that Japan led the country to its subsequent

³⁸ The Japanese while fighting their way into Singapore in January 1942 launched the first attack on Sumatra, and after having capitulated Malaya and Singapore on 14 February, the Japanese troops moved further into the Indonesian archipelago. On 12 March Java was captured, then was Sumatra on 28 March. Although the clear-up operations in the rest of the Indonesian archipelago took them a few more months, but after the capitulation of the main islands, Borneo, Java, and Sumatra, the Japanese started establishing their authorities, and from then on the three years and four months of Japanese occupation began in Indonesia: Pluvier, *op.cit.*, pp. 179-187.

³⁹ This was said by Adam Malik who became a vice-president of independent Indonesia: in A. Reid, 'Indonesia: From Briefcase to Samurai Sword', in A. McCoy (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), p. 27.

⁴⁰ M. van Langenberg, 'North Sumatra 1942-1945: The Onset of A National Revolution', in A. McCoy (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), p. 43 and Reid, 'Indonesia: From Briefcase to Samurai Sword', p. 23. Sumatra formed one part together with Malaya and Singapore under the 25th Army, while Java came the rule of the Japanese 16th Army.

independence.⁴² Indeed there are certain factors that seem to confirm the Japanese' point, in the sense that they eliminated the two major stumbling blocks that blocked the way of the Indonesian nationalist movements in the pre-war period: firstly, the internal divisions among the pre-war political leaders, and secondly, 'the absence of any substantial contact with the "masses"'. Under Japanese protégé and force, the previously antagonistic political party leaders, based in different religious groups and ethnics, were obliged to join a unitary propaganda body which was established to consolidate Japanese occupation and to promote its war efforts, and this contributed to unite the leaders. The leaders were also mobilised in rallies and public speeches to promote labour and military conscription, and this resulted in keeping in close touch with the populace. Though 'unintentionally', these activities imposed on the leaders contributed to the growth of Indonesian nationalism by providing a leadership. By the time of the Japanese surrender, Java had prominent figures who were already ready to take over power and claim independence, and whose leadership was recognised by the people. Since Java was the centre of pre-war politics, the emergence of national-level politicians in Java was significant, and 'their acceptance of Sukarno's and Hatta's pre-eminence was more than half the battle'.⁴³

⁴¹ Van Langenberg, *op.cit.*, pp. 51-52.

⁴² Reid, 'Indonesia: From Briefcase to Samurai Sword', p. 16.

⁴³ *ibid.*, pp. 21-22. In addition to the emergence of these leaderships, the consolidation of a particular definition of Indonesian identity that occurred as a result of abolition of Dutch, re-writing history with particular focus on the glory of pre-colonial past and the implanting of the national flag and anthem as symbols of national identity, all contributed to raising anti-colonial consciousness among Indonesians: see *ibid.*, pp. 24-25. While the nationalist leaders were mobilised to consolidate Japanese power in Indonesia, a large proportion of Indonesian youth went through Japanese methods of discipline in schools and youth groups and propaganda bodies, where the heaviest emphasis on 'physical fitness, toughness, discipline, patriotism, and a spirit of sacrificial service to the group' was imposed on. This mobilisation of the population for military purposes was the 'most striking contribution of the Japanese period', to the transformation made on the Indonesians whom according to Reid 'the mildest people on earth' (*ibid.*, p. 27).

6.3 The Case Study in Indonesia

After the end of the war British troops of the SEAC went into Indonesia to liberate the country from Japanese occupation and to keep law and order until a civil government was re-established. Their task became more complicated because of the conflicting interests between the Indonesian Republicans and the Dutch over the future political status of the country. The Dutch were not prepared to accept the Republic, but wanted to implement their Commonwealth scheme within which the NEI would remain bound to The Netherlands, and this was not acceptable to the Indonesians. In these circumstances, the military authority of the SEAC became increasingly involved in the local politics. The Allied Command put constant pressure on both side to reach an agreement, first of all to accomplish the practical task of fulfilling the directives, which was not possible without the assistance of the Republicans, and secondly to dissociate themselves from this politically complicated situation that was damaging to Britain's reputation as a colonial power. In July 1946 the SEAC transferred authority over the Outer Islands to the Dutch, and in the meantime the efforts to bring both side to a round table negotiation continued. After the conclusion of the Linggajati Agreement on 12 November 1946 in which the Dutch recognised Republican rule *de facto* over Java, Sumatra and Madura, British troops then completely withdrew from Indonesia by the end of November.⁴⁴ The Dutch began to assert a firm position in the Outer Islands with which their Commonwealth scheme went ahead. The leadership of the Indonesian Republic already showed the signs of divisions over the way in which their nationalist struggle should be conducted,

⁴⁴ Killearn had a mediating role during the round table negotiation between the Dutch and Indonesians, which produced Linggajati Agreement. Subsequent to the conclusion of this Agreement, Britain did not again mediate directly but nevertheless offered advice and assistance to both sides in an endeavour to enable the Agreement to be brought into effect.

‘negotiation’ or ‘armed confrontation’. In these circumstances the Linggajati Agreement soon lapsed, and the first Dutch Police Action followed this in July 1947.⁴⁵

During the outbreak of hostilities between the Indonesians and the Dutch, British companies had waited to resume their businesses.⁴⁶ Until peace was restored, repossession of business would have to be restricted to the Dutch controlled areas. In the case of estate companies, speculating on the conditions of the plantation was extremely difficult, for a journey would have had to be made to the interior. It was therefore plain that unless some stable government was established in the NEI, it was not possible to safeguard British economic interests. Complete independence for Indonesia was a possibility to build stability. Alternatively, if the Dutch and Indonesians decided to maintain their traditional financial and economic links regardless of their conflicting political interests, it would also serve the British interests.⁴⁷ Around 1947 the view among British authority on the effect of the future independence of the NEI to the British interest was grim. The Economic and Industrial Planning Staff of the British Treasury pointed out that even if there were to be a complete rupture from The Netherlands, it was ‘exceedingly doubtful if the Republicans could organise their economy at anything like its pre-war level without expert Dutch assistance’. If this happened, the British were afraid that there might be a long period of economic dislocation. It was also feared that the Indonesians might: impose heavy export taxes on produce; prevent the movement of capital or profits from the country; separate primary production from processing, leaving

⁴⁵ Stockwell, ‘Southeast Asia in War and Peace’, pp. 27-30.

⁴⁶ The major British companies in the NEI were Royal Dutch Shell, the Hongkong and Shanghai Banking Corp., and the Chartered Bank of India, Australia and China, Unilevers, the British-American Tobacco Co., Howie Gold Mines Ltd., Sumatra, Calico Printers (textile plant), and other manufacturing and trading enterprises in corporation with the Dutch manufacturing concerns. It was estimated that British shipping carried 29 per cent of the country’s foreign trade. The largest single item of British investment was represented by the plantations, and amongst rubber was the biggest occupying 72 per cent of the whole investment: PRO T236 1292 Economic Survey of the N.E.I written by Economic and Industrial Planning Staff, May 1947, pp. 10-12.

only processing in the hands of foreign interests; adopt a policy of eliminating long term leases for upland plantations (substituting short term leases); and adopt a policy of nationalisation of industries.⁴⁸ In October 1947 the Dutch government finally gave permission for the plantation companies to resume occupation of their estates. Faced with uncertainty about how the situation would develop in the future, British companies had difficulty committing themselves to reconstruction of the estates.⁴⁹

The Dutch military action in July 1947 brought world-wide condemnation of the Dutch and the matter regarding the transfer of power in the NEI was brought before the Security Council of the UNO. In reality, the Dutch obtained a stronger position as a result of the action, putting further territorial pressure on the Republicans whose capital, Yogyakarta, was threatened. This newly obtained strength culminated in the Renville agreement in January 1948, in which the Indonesians accepted the current demarcation line and set up the United States of Indonesia before the Dutch withdrew their troops from the country. The Republicans' position was evidently weakened, and violence and strikes continued between the Indonesian factions. In these circumstances, widespread general insecurity persisted and civil war seemed possible by the end of August 1948.⁵⁰

Further problems held British companies back from re-possessing the estates. These were mainly of two kinds: firstly, the very heavy taxation and the ban on remission of profits imposed by the Netherlands East Indian government, and secondly, lack of working capital for rehabilitation owing to Dutch action in refusing Bank credits and the reluctance of the British government to permit the export of sterling for investment in the

⁴⁷ These ideas are from PRO T 236 1291 and 1292.

⁴⁸ PRO T 236 1291 memorandum by the Treasury, 12 Apr. 1947, Appendix. C, p. 6.

⁴⁹ PRO T 236 1294 letter from A.P. Grafftey-Smith, Bank of England, to Ellis-Rees, 24 Oct. 1947 regarding the NEI.

⁵⁰ Ricklefs, *op.cit.*, Ch. 5. 'The Destruction of the Colonial State, 1942-50', pp. 185-221.

NEI.⁵¹ As a result, when the estate companies had come to the end of their resources in the NEI, they were faced with the question of whether they could continue to function at all. A. Mathewson (the Managing Director of Harrisons & Crosfield), of Sumatra Tea Estates Ltd., which was the only tea factory in the East Coast of Sumatra in working order in January 1948, reported that there was no option but to abandon its plans for rehabilitation; he would first arrange to take care of the remaining assets on the estates and bring the European staff back to Europe.⁵²

Faced with these problems, British businesses in the NEI made representations to the British government, and to the Dutch in London, the Hague and Batavia. In addition, a committee was set up in the NEI for the purpose of facilitating discussions between representatives of British firms and Dutch authorities to go through all these matters.⁵³ As the NEI was still under Dutch rule, close communication with the Dutch authorities was vital if the various problems regarding remittances of profits, taxation, exchange control, price of products, security of tenure, pre-war deposits with government, and equality of treatment and opportunity for British enterprise and British nationals were to be resolved. Without certain guarantees from the NEI and Dutch governments on these matters the British companies could not undertake any new or long-term investment in the NEI. Thus, when the Dutch Commissioner, van Hoogstraten, visited London, the Netherlands Indies Committee of the RGA promptly took the opportunity to see him.⁵⁴

⁵¹ PRO T 236 1295 letter from G.C. Whitteridge, FO, to A. Gooden, Batavia, 2 Feb. 1948.

⁵² PRO T 236 1295 A. Mathewson to Cotzen, 23 Jan. 1948.

⁵³ PRO T 236 1296 minute sheet (about the Meeting with Alons [Head of the Department of Finance, NEI] and others from the Board of Trade, the FO, the Bank of England, the Export Promotion Department, Delegate for Indonesian Affairs in the Hague, and Deputy Trade Commissioner for Indonesia in London) from M.D. Montgomery, Treasury, to Rowe-Dutton, 6 Apr. 1948.

⁵⁴ PRO T 236 1295 The Netherlands Indies Committee of the RGA (Incorporated), to van Hoogstraten, 20 Jan. 1948. The actual meeting was held on 12 Nov. 1947, but on 20 Jan. 1948 the Committee was sending him a brief of the major points discussed.

Apparently the active response on the part of business in resolving their problems helped secure the attention of the British government to what otherwise might have been regarded as peripheral matters in terms of location and scale.⁵⁵ The Treasury, the FO, the Bank of England, and the Ministry of Food, alarmed by Sumatra Tea Estates Ltd.'s case, immediately met to discuss the general matters concerning British business interests in the NEI. At this meeting, M.D. Montgomery of the Treasury explained that even though in the long term the question of sterling remittances depended on the intentions of the Dutch, small remittances should still be sent out to keep the estates in a working condition. Some of the participants carefully pointed out that the situation may have been exaggerated, for all the information had come from the companies themselves. Nevertheless, a positive conclusion was drawn as it was agreed to send small amount of capital to the NEI for the immediate needs of British firms.⁵⁶ As a result of this cooperation between business and government, in August 1948 the British Consulate General in Batavia could report some progress on the whole that the Dutch were showing a genuine desire to meet the wishes of British interests in the NEI.⁵⁷

Nonetheless, as most of the estates run by British companies were located in isolated areas, there were risks of raids by armed gangs. It is difficult to make

⁵⁵ As the Commercial Counsellor of British Consulate General, Batavia, explained to the Export Promotion Department, Board of Trade, there was nothing the NEI could produce which could not be found elsewhere. Moreover, even if goods from the British companies in the NEI were sent to hard currency countries, all foreign currencies earned by the companies would go to the NEI Exchange Control which meant the UK would obtain no benefit from that move. Yet some of the products in the NEI, such as, sugar, edible oils and sisal, which Britain badly needed, were the only alternatives to the products from the dollar areas. At the Ministry of Food, John Strachey, Minister of Food, also stated the significance of NEI food products to Britain. Nevertheless, geographically, politically and even commercially the NEI was not the most privileged to the British: PRO T 236 1295 letter from Commercial Counsellor of British Consulate General, Batavia, to the Export Promotion Department, Board of Trade, and FO, 2 Mar. 1948; conversation between Ellis (Ministry of Food) and Lee (Bank of England) from a note of a meeting in the Treasury among Treasury, Bank of England, FO, and Ministry of Food, 30 Jan. 1948.

⁵⁶ PRO T 236 1295 letter from G.C. Whitteridge, FO, to A. Gooden, Batavia, 2 Feb. 1948, and note of a Meeting, 30 Jan. 1948.

⁵⁷ PRO T 236 1296 British Consulate General, Batavia, to J.O. Lloyd, South East Asia Department, FO, 24 Aug. 1948.

generalisations about the experiences of British companies in relation to re-possession of their estates, but the difficulties were not dissimilar to each other. The South Asahan district in East Sumatra, for example, was newly occupied at the beginning of 1949. Prior to the war there were approximately 40 estates in the area, of which about half were British-owned or British-represented, particularly by Harrisons & Crosfield and Guthrie & Co. As soon as the areas were considered safe, owners were compelled to assume immediate repossession by the Dutch authorities, who even threatened to assign the estates to the temporary administration, NIBI (N.I. Beheers-Instituut), otherwise. In the absence of sufficient military cover (the companies were even told by the DEZ [Departement van Economische zaken] to provide their own police force), the companies were reluctant to expose their staff to the foreseeable dangers. Eventually the companies sent their men to look over their properties before re-occupation. The conditions of machinery and estate buildings, hospital and factories, and roads and safety were the primary concern. There were also many other factors that governed the prospects of getting these estates back into production, and among them, the chief and most perplexing matter was the labour question. Under Japanese occupation the labourers in the estates were transferred to other areas to work, while others were sent into forced labour for military installations.⁵⁸

The condition of the infrastructure varied from estate to estate and some were less lucky than others. For instance, G.P.G. Thomson and C.L. Corner, two British partners owning Si Ringo Ringo Estate, had already stated their desire to sell the property even before coming back from Australia where they were still convalescing. By the beginning of 1949 most of the British companies in this district, just like others in the

⁵⁸ PRO FO 371 76171 F2059/146/62 British Consulate General, Batavia, to South East Asia Department, 27 Jan. 1949, pp. 1-4. This report was originally written by Chambers, the Acting Consul

Archipelago, were not sure when or even whether to reoccupy their estates. After all, it was a difficult decision to make, especially when it was doubtful whether the Dutch authorities, despite their insistence on re-possession of the estates by British companies, had sufficient personnel and resources to clear the area entirely of the predatory hordes.⁵⁹

At this juncture SEA was gravely threatened by the recent advances of Communism in Asia. The British government was concerned that the sudden withdrawal of Dutch power might leave Indonesia chaotic and helpless in the face of opposing threats of Communist infiltration.⁶⁰ After the second Dutch Police Action, the Security Council of the UNO was asked once more to intervene. A cease-fire was ordered and both sides again went into talks that subsequently altered the whole situation. At the end of June the Dutch troops withdrew from the Republicans' capital and the armistice was signed in August, followed by a peace conference in The Hague. On 2 November 1949 the Dutch and Indonesians, with the assistance of the United Nations Committee for Indonesia, reached an agreement on the transfer of sovereignty to a federal republic of sixteen states under the Netherlands Crown.

Throughout this time British businesses in the NEI longed for a peaceful change over in sovereignty. The future prospects of their interests and, in fact, those of all foreign businesses in Indonesia, depended upon the extension of peaceful government and on the establishment of a liberal administration and a stable currency. They hoped that after the hand-over of sovereignty, private trading would be permitted and tariffs would not unduly discriminate against British imports. Therefore, Sir John Hobhouse of the British Chamber of Commerce for Indonesia said to Denning, the Assistant Under-Secretary of State of the FO, that the British government should be ready to establish a

at Medan.

⁵⁹ *ibid.*

satisfactory *modus vivendi* for British interests with the new Indonesian government as soon as it was set up.⁶¹ The British government, in the same way as they had not wished to see the business interests fall into ruin or be taken over by the Dutch, were in favour of reaching some satisfactory arrangement with the new government.⁶² Naturally the question of how far the British government was prepared to deal with the Indonesian government in order to safeguard British interests was raised by business, especially by those with interests in plantations which were particularly vulnerable to anarchy and banditry in comparison with other forms of business.⁶³ Understandably they were so afraid of the internal condition of the country after the Dutch withdrawal, which might leave them face to face with strong forces of anarchy and banditry, that the Anglo-Dutch Plantations of Java, Ltd. even suggested R.H. Scott of South East Asia Department of the FO to explore 'the possibility of uniting with American commercial interest in Indonesia'.⁶⁴

On 27 December 1949 the provisional government was constituted, but the Indonesians decided to cut their link with the federation during the referendum held in August 1950 to form a unitary type of government instead. Despite the progress made on the country's sovereign future, British firms found that little improvement could be expected in business perspective until the new administration was firmly established. From 1950 onwards the great bulk of Dutch and Eurasian civil servants were dismissed or resigned, leaving the middle or upper ranks of the civil service chaotic and inefficient,

⁶⁰ PRO CAB 128 15 CABINET 10 (49) Indonesia, 8 Feb. 1949, p. 56.

⁶¹ PRO FO 371 76162 F15711/1154/62 Sir John Hobhouse, the British Chamber of Commerce for Indonesia, to M.E. Denning, Nov. 1949; FO 76162 F17984 The Anglo-Dutch Plantations of Java, Ltd. to R.H. Scott, South East Asia Department, 28 Nov. 1949.

⁶² PRO T 236 1296 minute sheet from M.D. Montgomery, to Rowe-Dutton, 6 Apr. 1948.

⁶³ PRO FO 371 76162 F17984 The Anglo-Dutch Plantations of Java, Ltd. to R.H. Scott, South East Asia Department, 28 Nov. 1949; G.C. Denham, The Managing Director of the Anglo-Dutch Plantations of Java, Ltd., to C.A. Stewart, HMG's Consulate General, Batavia, 14 Nov. 1949.

while the lower grades were overstaffed. The economic conditions were even worse than those of the political. The rehabilitation of the economy had been largely put aside due to the prolonged war. The most fundamental problem was the perception of the economy among the Indonesians. It was a matter that subordinated to the question of their political pride. Nationalist sentiment was so intense that 'measures seriously affecting her export-oriented economy were deliberately taken in order to displace Western, particularly Dutch, economic enterprise'. As a result, there was a shortage of trained and experienced personnel. Production declined, and so did the government's revenue, which depended upon export and import duties.⁶⁵

The difficulties that faced British firms in Indonesia after Independence were two-fold: firstly, the lack of reasonable internal security and, secondly, the lack of a fair and balanced commercial and taxation policy. In the absence of law and order, the thieving of trucks and produce was common; the seizure of estates by squatters and murder of staff was also frequently reported; requisitioning of cars and other supplies of British plantation companies by local units of the Indonesian army was normal practice; there was no end to wage disputes, for all the propaganda and intimidation were directed, for political reasons, at the labour force.⁶⁶ These problems were worsened by the hardships which had arisen from the currency devaluation and new foreign exchange measures under the new government. Taxation was a big problem, and the high level of taxation on salaries of European employees deterred new recruitment.⁶⁷ Yet most foreign

⁶⁴ PRO FO 371 76162 F15711/1154/62 The Anglo-Dutch Plantations of Java, Ltd. to R.H. Scott, South East Asia Department, FO, 28 Nov. 1949.

⁶⁵ Hall, *op.cit.*, pp. 895-896.

⁶⁶ PRO FO 371 83749 FH1124/2 J.B. Roberts to R. Cargil, British Consulate, Medan, 24 July 1950, in reply of Cargil's letter concerning the reports appeared in ANTARA (Indonesian News Agency), p. 2; PRO FO 371 83752 letter from K. Younger, FO, to D.W. Kermode, British Embassy, Djakarta, 9 June 1950.

⁶⁷ PRO FO 371 83752 minute written by H.B.C. Keeble, 6 June 1950; letter from K. Younger, FO, to D.W. Kermode, British Embassy, Djakarta, 9 June 1950; Denham to R.H. Scott, FO, 10 July 1950.

nationals were willing to proceed with their own post-war plans, as the Indonesian government officials stated that they wanted cooperation with foreign enterprises. On the other hand, none of the officials had ever proclaimed that this was their long-term policy. As a result of the future being so insecure, no foreign companies were prepared to extend their commitments in Indonesia.⁶⁸

Not surprisingly for a newly independent country there was a general anti-foreign feeling at large in Indonesia, and this was clearly reflected in the research of the influence of foreign investments in East Sumatra and the problems created by their presence, commissioned by the External Affairs Committee of the House of Representatives of the Indonesian government in June 1950. The report proposed that the government should disentangle itself from the grip of foreign capital in order to better people's conditions in East Sumatra because the majority of the investments were not favourable towards the improvement of the labourers' conditions in their concessions. One of the findings of the report was that since the foreign plantations were a major source of foreign exchange, representing 35 per cent of Indonesia's exports, the foreign companies did not feel the necessity of readjusting the wage structure, because the Indonesian government, having common interest with them, would assist them in any labour-management dispute. The report also concluded that the land leased by the foreign plantations, but still idle, should be re-distributed to alleviate the conditions of the farmers, to ease the fighting between old and new occupants, and to increase foodstuff production needed to feed the

Under the Dutch rule the taxation of individuals was also very heavy. The NEI Committee of the RGA (Incorporated) submitted a figure that showed the comparative weight of taxation of the European staff in the NEI and in a number of other Eastern countries producing similar commodities. According to this figure, NEI income tax represented two to four times as great as in other countries: T 236 1295 The NEI Committee of the RGA (Incorporated) to van Hoogstraten, 20 Jan. 1948.

⁶⁸ PRO FO 371 83749 FH1124/2 J.B. Roberts to R. Cargil, British Consulate, Medan, 24 July 1950 in reply of Cargil's letter concerning the reports appeared in Antara, p. 2.

territory.⁶⁹ Only some of the details in the report were true. However, regardless of the accuracy of the report, the negative attitude towards foreign business interests in the report simply reflected the general feelings among Indonesians.⁷⁰

The strategy to deal with the new central government as well as local governments was, of course, different from that adopted toward the Dutch authorities in the NEI. In order to resolve their difficulties, the British companies made independent representations to the Indonesian authorities directly or through the British Embassy or through British Consular Offices. The relationship between the British firms in the NEI and the British Embassy in Batavia is worth mentioning. Just before Indonesian independence, the South East Asia Department of the FO enquired about the possibility of setting up some body or organisation to look after the interests of British firms in Indonesia and to promote Anglo-Indonesian trade. This issue was immediately raised between the British Embassy in Batavia, and the local managers of British companies in discussion with their London offices. While the managers were emphatically against the suggestion of re-opening a Branch Office of the British Chamber of Commerce for Indonesia because of the bad reputation it had with Indonesians, they agreed that they could see little that a Chamber of Commerce could do that could not be done by the Embassy. The local general manager of the British-American Tobacco Co., for instance, agreed upon the need for a representative British organisation, but an organisation with which the Embassy could work to look after community interests in general.⁷¹

⁶⁹ PRO FO 371 83749 FH1124/1 ANTARA (Indonesian News Agency) - June 13 and 14: R. Cargil to R.H. Scott, South East Asia Department, FO, 19 June 1950.

⁷⁰ PRO FO 371 83749 FH1124/2 J.B. Roberts to R. Cargil, British Consulate, Medan, 24 July 1950 in reply of Cargil's letter concerning the reports appeared in ANTARA: this was sent to R.H. Scott, South East Asia Department, FO, and it was followed by another letter that stated that the figures in Antara were more or less precise, but there was no shortage of land.

⁷¹ PRO FO 371 83752 FH1151/1 Stewart, British Consulate, Batavia, to R.H. Scott, South East Asia Department, FO, 29 Dec. 1949.

The British companies not only made personal visits to the relevant Departments of the British government to ask for assistance, but also had a meeting with Sukarno and the Sultans. However, as far as the British government was concerned, the new government should be treated with much more caution than the previous Dutch colonial government. For instance, when H.B.C. Keeble of the FO carefully suggested a possibility of Denham, the Chairman of the Anglo-Dutch Plantations of Java, Ltd., and Mathewson, the Managing Director of Harrisons & Crosfield, writing a memorandum to the Indonesian authorities regarding the illicit tapping of estate rubber, squatting, the murder of estate staff, this was thoroughly reflected on by the relevant personnel in the FO and the British Embassy in Batavia. Both bodies concluded that it was best not to proceed with the letter so as not to irritate the local government, which was to British eyes obviously incompetent, but nevertheless trying its best to prevent these kinds of crimes.⁷² In the process of making this decision both D.W. Kermode, the British Ambassador, and K. Younger of the FO agreed that only specific cases that seemed to offer a reasonable chance of solution as a result of action by the Indonesian government should be put forward.⁷³ Besides, since the Indonesians were showing every sign of disapproval of the presence of foreign investment, British business interests could best be served by representing their claims to the Indonesian government through the British Embassy or Consular offices, unless there were specific evidences of active discrimination against British firms. In addition Kermode pointed out that British firms

⁷² PRO FO 371 83752 FH1151/3 minute by H.B.C. Keeble, 6 June 1950; FO 371 83752 FH1151/3 letter from K. Younger, FO, to D.W. Kermode, British Embassy, Djakarta, 9 June 1950; Denham pointed out how anxious the companies were in general under the extreme insecurity, which made them to incline to stress unfortunate events such as murder of assistant in Java too strongly.

⁷³ PRO FO 371 83752 FH1151/3 letter from K. Younger, FO, to D.W. Kermode, British Embassy, Djakarta, 9 June 1950.

must adapt themselves to the changed political conditions and devote greater attention to the social welfare of Indonesian labourers.⁷⁴

The situation in Indonesia at around the end of 1950, after the formation of the Republic of Indonesia, dramatically deteriorated. Mathewson informed both Kermode and Scott of the FO that the odds against British firms were becoming almost impossible. British firms started considering either abandoning or selling their business interests. Bevin suggested that Kermode should make representations to the Indonesian government, but the Ambassador replied that it was better to retreat from certain estates, particularly the isolated ones. Nevertheless, contrary to expectations, business was already profitable mainly thanks to the Korean War boom.⁷⁵ As long as business was profitable, British firms were more than willing to stay in spite of the odds against them.

As explained above, government and business worked together to deal with the difficulties, and were active participants rather than passive observers. In order to survive, business sometimes adopted a tactic that was seldom acceptable in normal business practice. The Dutch authorities in the NEI were trying to gain as much sterling as they could out of the British firms by refusing them anything but short term credits. In response to this British firms asked the British Treasury to refuse their applications for financial assistance to retaliate against the Dutch authorities, alleging that their hands were tied by the British Treasury. Though the British Consulate in Batavia denied this allegation by van Hoogstraten, he secretly admitted that while it may not have been

⁷⁴ PRO FO 371 83752 FH1151/10 letter from D.W. Kermode to K. Younger, 22 July 1950.

⁷⁵ PRO FO 371 83753 FH1151/25 despatch from D.W. Kermode to Bevin, 14 Nov. 1950. Kermode reported back to Bevin what he had been informed by Fletcher, the Representative of the Anglo-Dutch Plantations of Java. Ltd.

widespread, certain British firms, notably Harrison & Crosfield, were indeed adopting, or endeavouring to adopt, these tactics.⁷⁶

After the end of the war, in the face of growing hostility between the Dutch and the Indonesians, American competition was hardly a major issue.⁷⁷ Nevertheless both the Dutch and the Indonesians publicising their expectations of US loans and credits often irritated the British. From the very beginning the British had no doubt that the USA would be the NEI's most valuable export market and source of capital in the post-war period. The economic and financial prospects of Indonesia depended on how quickly the production of commercial crops could be restored to pre-war levels, but this required new capital. In any case, new capital imports were needed not only for reconstruction purposes but also to promote new industries,⁷⁸ and the only promising source for this capital was the USA. However, the problem with US loans and credits was that they normally included provisions detrimental to British interests, for instance, the goods purchased out of the proceeds were to be carried in American ships.⁷⁹ Therefore the

⁷⁶ PRO T 236 1296 British Consulate General, Batavia, to G.C. Whitteridge, South East Asia Department, FO, 10 Apr. 1948.

⁷⁷ American corporations such as Union Carbide, Goodyear, and General Motors had established themselves in pre-war Indonesia. Standard Oil had made attempts to obtain a stake in oil production in the NEI through the purchase of shares in the Royal Dutch Co., but was eventually blocked by the Dutch. A year after the dissolution of Standard Oil in 1911, Jersey Standard made the first break-through in the NEI, through its Dutch marketing affiliate. Goodyear, and General Motors established plants in Java in the 1920s: M. Wilkins, *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914* (Cambridge, Massachusetts, 1970), pp. 78-9. Yet total American investments were only around seven per cent of all foreign investments in pre-war Indonesia, far smaller than Dutch and British investments: G.D. Homan, 'The US and the Netherlands East Indies: The Evolution of American Anticolonialism', *Pacific Historical Review*, vol. 53, 1984, p. 428. However, as far as trade was concerned, the USA had bigger interests than the UK in the NEI prior to the Second World War, taking 13 per cent of NEI products, and providing 12 per cent of her total imports in 1938, while the UK accounted for 5 per cent and 7 per cent of each respectively. As considerable portions of the exports to Singapore (16 per cent) were ultimately passed on to other countries, chiefly the USA and Britain, they might have had bigger trade interests than the figure suggests. Although both were interested in rubber and tea, there was hardly any conflict in terms of obtaining raw materials, for there were other alternative sources in the region: PRO T 236 1292 Economic Survey of the N.E.I written by Economic and Industrial Planning Staff, May 1947.

⁷⁸ PRO T 236 1292 Economic Survey of the N.E.I written by Economic and Industrial Planning Staff, May 1947, p. 5.

⁷⁹ PRO FO 371 83773 FH1392/4 Report by Sir John Hobhouse on Government Financed Shipments from USA to Indonesia, to M.E. Denning, FO, 1 May 1950.

British feared that a large proportion of British interests in the NEI might be taken over by the American financial imperialism of this kind.⁸⁰ Moreover there was a danger that the NEI might easily gravitate away from the European and into the American sphere of influence as the Philippines had half a century before.⁸¹

After his five day visit to the Hague, R.H.S. Allen wrote;

... , the Netherlands government would do anything to secure an American loan or credits, even on terms unfavourable to Britain in the NEI which would largely tip up the trade of that area with the US.⁸²

Van Hoogstraten, firstly, said how urgently the NEI needed a loan from the USA, then admitted that their future policy would be dependent upon the conditions of such a loan. At this juncture the only thing Britain could do was to remind the Dutch that the UK had made big loans to The Netherlands, which helped them give credits to the NEI.⁸³

Around 1952 the British FO was still flooded with reports and statements by British businesses in Indonesia about the difficulties or impossibility of continuing their business. The factors of general lack of security, the never-ceasing demand for increased wages, and the squatting of estates were everywhere. In the case of Unilever they not only had a problem with the procurement of raw materials, but they also 'lost as much as ten percent of their manufactured products by pilferage'. Since no insurance company would insure goods in Indonesian ports, Unilever had to run its own insurance scheme to

⁸⁰ PRO CAB 128 15 CAB 10 (49) Indonesia, 8 Feb. 1949, p. 56. These issues were all debated or mentioned in the House of Lords Debate of 19 Jan. 1949.

⁸¹ PRO T 236 1292 Economic Survey of the N.E.I written by Economic and Industrial Planning Staff, May 1947, pp. 6-7.

⁸² PRO T 236 1291 report by R.H.S. Allen, 27 Mar. 1947.

⁸³ PRO T 236 1294 note by M.D. Montgomery of a Meeting held in the Treasury, 14 Nov. 1947. In fact, it was Ellis-Rees who pointed that out to van Hoogstraten.

take care of their business.⁸⁴ Nevertheless, the UK Trade Commissioner in Malaya reported the FO at the end of 1952 that 'this most difficult market' was getting as much attention from private traders as others and there was a steady flow of British businessmen going to Indonesia. However, they preferred 'to keep their staffs and stocks in Malaya ready for use in Indonesia as opportunities occur'.⁸⁵ The post-war chaos did not deter most of British businesses from continuing to operate, though without a complete commitment. As the report on the influence of foreign interests in Indonesia correctly assessed, British business interests firmly believed in their contribution to the Indonesian economy as well as the welfare of the population by creating employment and revenue for the government.⁸⁶ This confidence of British business interests persisted and this was hardly altered by newcomers such as the USA.

6.4 The Case Study in Siam

The task of the SEAC to liberate Siam was accomplished relatively early and the troops under the Command started to leave the country in January 1946. The Anglo-Siamese Peace Agreement and International Cooperation terminated the state of war with Britain in January 1946, followed by an agreement in March on the resumption of trade. The disputes over the territories of the French Indochina were resolved in October 1946 as the Siamese returned the territories to Indochina. In the following year, Siam became a member of the UNO.

⁸⁴ PRO FO 371 101105 FH1102/1 British Embassy, Djakarta, to Murray, South East Asia Department, FO, 10 Jan. 1952.

⁸⁵ PRO FO 371 106831 FH1151/2 letter from UK Trade Commissioner in Malaya, Singapore and Kuala Lumpur, to S. Bennett, FO, 28 Nov. 1952.

⁸⁶ The director of the Anglo-Indonesian Plantations, Ltd. stated: ' . . . it is clear that we are indeed a very valuable asset in the eyes of Government . . . we are by no means a minor item in the economy of Indonesia and are most certainly large contributors towards the welfare of the population.' PRO FO 371 106832 FH1151/54 Director's Report and Statement of Accounts for the Forty-Third Annual General Meeting of Members of the Anglo-Indonesian Plantations, Ltd., 24 Nov. 1953. In p. 14.

Despite this smooth transition to peace time, Siamese internal politics lacked stability, for the immediate post-war years were much dented by a series of coups and counter-coups. Siam had by 1948 had eleven different governments since the war. In November 1947 a military coup provided a chance to place Pibul Songkram once again in the position of premiership through the general election held in January 1948. He survived till 1957, but there were several attempts to unseat him.⁸⁷ There was also strong nationalistic tendency in terms of concessions and leasing which made British firms difficult to renew them. Despite this there was relative stability, and British businesses benefited from low taxation, absence of government controls on their business practice, and a fully convertible currency.⁸⁸ There was nevertheless the feeling of uncertainty among British firms in Siam regarding their future position. The mixed feeling of confidence and the fear of being replaced by American commercial interests were always present amongst them in post-war Siam. The possibility of the Pibul government resorting to the pre-war ultra-nationalism — cultural and economic — also loomed.

Differently from what might have been expected, the British did not seem to be much alarmed by the possible recurrence of Siamese nationalism under Pibul, who had already led the 1930s' nationalist movement, but more concerned with American competition in the country. The Foreign Office files in Siam of the Public Record Office during the period concerned are the evidence that shows how extremely sensitive the British were to each move made by the Americans. The development of US economic

⁸⁷ Seni Pramoj who had led the 'Free-Thai Movement' during the wartime became the Prime Minister after the end of the war. He was soon replaced by Khuang Abhaiwongse in January 1946, and then the long-awaited Pridi Banomyong became the premier in March 1946. Pridi, being accused of responsibility for the death of the King, stepped down and handed over the premiership to Thamrong Nawasawat in August 1946, who was in that position for around a year before being forced to leave by a military coup that provided a chance for Pibul Songkram. Hall, *op.cit.*, pp. 856-58; Stowe, *op.cit.*, pp. 362-65. The spellings of these names followed J.D. Stowe's. See, Biographical Notes in *ibid.*, pp. 367-80.

interests in Siam, concessions, whether political or economic, and other forms of assistance given to her, were closely watched, examined and analysed by them often with an emphasis on how those would affect British own interests. Among the issues dealt within those files, Siamese requests to Britain for loans and capital goods and equipment, the jealousy and bickering between the business communities, the Siamese desire for dollars to purchase necessary goods, and US assistance to Siam for the purpose of obtaining concessions over Britain's war claims were the frequently mentioned subjects. I would first like to explain the mutual suspicion between them, then move on to British fear of being replaced by American commercial interests because of Britain's inability to provide Siam with concessions and goods. The local competition between the two communities and other related issues such as the jealousy of the Americans over the presence of the British Financial Adviser, close communication between British political authorities and commercial interests in Siam, and Siamese request of dollars for their tin ore and rice exports are also examined.

Commercial interest was one of the most visible conflicts between the UK and USA in Asia, and Siam was one of the places where the conflicts were most acute. To the western countries looking for raw materials and markets for their manufactured goods, Siam was not at all the most commercially prestigious country in SEA. In comparison with Indonesia and Malaya, Siam possessed far fewer natural resources. US commercial interests had overall a much bigger stake in Indonesia and Malaya than in Siam. However, there was hardly any ground upon which they could establish a firm position in these countries because of their political relations with the metropolitan governments.

⁸⁸ C. Wilson, *Unilever 1945-1965 Challenge and Response in the Post-War Industrial Revolution* (Cassell, London, 1968), p. 243; Longhurst, *op.cit.*, p. 106.

The Siamese market had been opened up a relatively long time, and the country was comparatively stable and not much influenced by political developments in the neighbouring countries. However, these merits hardly explain all the attention that she received from the powerful western countries, especially from the USA.

The British grew suspicious toward the USA during the war, being alarmed by the USA ignoring the Siamese declaration of war against the Allies and afterwards assisting the Siamese in resisting British war claims. British understanding of US interest in Siam was that the former had both a sentimental concern for Siam's future and commercial if not political ambitions.⁸⁹ There was in fact a mutual suspicion between the UK and the USA. The US State Department was equally suspicious of British intentions in Siam lest the British impose control upon Siam, which would be incompatible with Siamese desire toward freedom, sovereignty and independence.⁹⁰ The USA was anxious that Britain might attempt to restore the pre-war informal dominance in Siam, while the British believed that the Americans had a desire to replace them with their own. An FO official wrote rather arrogantly, if with concern that: 'If America now aspires to replace Britain in her former position supremacy, she must satisfy Siam that she has real qualifications for the role.'⁹¹ Behind this confidence, the British were extremely conscious of competition from the Americans in Siam. The British Embassy in Bangkok and the relevant Departments within the British government kept close communication and any piece of information relevant to that matter was noted and analysed by the British authorities in Siam and Britain.

The British analysed what drew the USA to Siam in the first place. They came to the conclusion that it was, first, 'sympathy' towards the country which had kept

⁸⁹ PRO FO 371 46545 F4298/G report by the Far Eastern Committee, 14 July 1945, p. 23.

⁹⁰ *ibid*, pp. 23-5.

independence against Western and Japanese intervention with skilled diplomacy, and the feeling of 'sorrow' towards a 'helpless' independent state; and secondly, commercial interest.⁹² What part the USA would play in all this was not clear; nevertheless America's 'mothering' instincts seemed to be attracting her towards Siam, whose potential markets and comparatively little developed resources also had an appeal. In short there was every indication that the USA intended to play a part in post-war Siam.⁹³

From the point of view of the USA, there were other factors more influential than sympathy and economic interest. The official US government policy published in September 1949 made clear their interest in cultivating Siam as a centre of positive American influence in SEA.⁹⁴ The USA needed Siam as a supporter of US policies in the various organisations of the UNO. Furthermore, the USA wanted to assist Siamese prosperity to be an example to the emerging Southeast Asian countries of the advantage of good relations with the USA, and the advantages of democracy over Communism.⁹⁵ As the USA wanted to promote the Philippines as a model colony to other Western colonial powers, Siam was to exhibit another form of model for the USA. In any case, it was conceived that Siam would be less resistant to US penetration than any other Southeast Asian countries, whether still dependent or already independent, because she was not tied up by political relations with the European colonial powers, which would not allow any ground for late-comers.⁹⁶

⁹¹ PRO FO 371 54052 F6208/2129/G61 draft memorandum by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, Part V. Annex II.

⁹² See PRO FO 46544, 46545, 54052, and 63549 etc.

⁹³ PRO FO 371 46544 F1016/296/G40 minutes by Sterndale Bennett, FO, to Horace Seymour, Chungking, 16 Feb. 1945.

⁹⁴ PRO FO 371 76025 F17668/10345/61G US Policy towards Southeast Asia: copy of a US Planning Staff Paper, 29 Mar. 1949, pp. 26-27.

⁹⁵ FRUS (1950) vol. vi, East Asia and the Pacific, Policy Statement (US relations with Thailand) Prepared in the Department of State, 15 Oct. 1950, pp. 1529-30. Notably Britain declared a similar ambition in Malaya, and the intensive rehabilitation work in Malaya was in line with this ambition.

⁹⁶ PRO FO 371 54052 F6208/2129/G61 draft memorandum prepared by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, Part II.

As far as the USA was concerned, Britain wanted to, and was able to influence Siam. To some extent Americans recognised Britain's weakened economy and political influence that would obviously affect her traditional position in the country. Her inability to fill orders for consumer and capital goods was in contrast to the ability of the USA to fill Siam's rehabilitation needs and it would be a hindrance to maintaining her influence. Yet Britain was still influential on the country's economic and political life thanks to, firstly, the strength of private business interests, and secondly, to Siam's favourable trade balances with Sterling areas, and thirdly the influential British Financial Adviser to the Siamese Government.⁹⁷

Indeed, the British hoped to maintain and develop their trading and business interests in the country, but knew that their pre-war position would not be easily recovered. Firstly, the British could not resume their businesses before the termination of the war state between the two countries and the official resumption of the trade. Therefore there had been no trading activity, whether in the form of public procurement or private trading activity.⁹⁸ In fact, a forecast of what arrangements should be made to assist the re-establishment of British commercial interests in Siam itself was not possible before actually entering the country to inspect any damage to their business assets and general economic conditions. In addition, the SEAC was obviously pre-occupied by their own responsibilities to give the necessary facilities for the businessmen to re-enter Siam.⁹⁹ Secondly, the prolonged negotiation upon war claims was hampering Britain's relationship with Siam. The negative effects of the negotiations to British business

⁹⁷ FRUS (1950) vol. vi, East Asia and the Pacific, Policy Statement Prepared in the Department of State, 15 Oct. 1950, p. 1535. See also PRO FO 371 46544 F3491/296/G40 revised draft report on terms for Siam, 31 May 1945, p. 22.

⁹⁸ 'Procurement (of the substantial tonnages of tin ore and metal) by us is complicated by the trading with the Enemy position. . . Technically we are at war with Siam.': FO 371 46543 F10668/250/40 copy of letter from Carr, Ministry of Supply, to D. Blunt, Treasury Chambers, 30 Nov. 1945.

interests were realised among some British quarter. Denning of the SEAC Headquarters wrote to Sterndale Bennett of the FO:

[I] cannot take Siam's declaration of war on us very seriously. ... I conceive it to be in our interests from the point of view of post-war trade that Siam shall be friendly and prosperous. ... Beyond that I would strongly advocate that we should forget and forgive. To this extent I think the American attitude is more realistic than ours, and if we are not careful, we shall find that it is they who in post-war days will have achieved popularity while a grudge is borne against us.¹⁰⁰

Complaints were consistently heard mainly from the diplomats in the field. The British Ambassador, G.H. Thompson sent a letter to Bevin to warn him of the danger of American competition while the British were unduly wasting time over war damage compensation:

... as regards coming American competition, time is not on our side and that this being the case, they (the British business community here) should get going while the going is yet good. Unfortunately, some of our major interests still appear unduly concerned with interminable negotiations relating to compensation for war damages and so forth, doing little or nothing in the meantime to re-start working

⁹⁹ PRO FO 371 46580 F6139/6139/40 FO minute by A.C.S Adams, FO, 29 Aug. 1945, after a visit by Heyworth of Lever Bros. to the FO.

¹⁰⁰ PRO FO 371 46544 F540/296/G40 SEAC Headquarters, to Sterndale Bennett, 14 Dec. 1945.

when the Americans arrived on the scene with their caterpillars and skidders and dollar exchange.¹⁰¹

J. Allison in the British Embassy in Washington saw this matter from a different perspective — the loan agreement. He warned that when the loan agreement was under fire in the USA, there should not be any apparent difference between the two countries on the Siamese matter, for the Americans were particularly sensitive on Siamese affairs.¹⁰² The main theme of these letters was not to force Siam too hard to gain too much compensation, which would be a short-sighted policy; the more quickly Siam recovered, the better for Britain.¹⁰³

Meanwhile, American competition seemed to be already under way. Around the end of 1945 there were numerous rumours reported to the FO that the Americans were already trading with the Siamese, which was obviously a violation of their agreement. This was found out to be untrue, but clearly showed how anxious and watchful the British were on any move by the Americans. British inability to provide the necessary goods and concessions in the forms of loans and aid exacerbated their feelings of anxiety. The Overseas Reconstruction Committee published a memorandum on 19 December 1945, in which the merits of providing consumer goods to the Siamese were emphasised as a stimulant to produce more rice to supply for the neighbouring countries in SEA.¹⁰⁴ However despite her significance as the only rice supplier available at that moment, Siamese needs had to be ignored, as the British own as well as Dependencies' needs for rehabilitation could hardly be satisfied.

¹⁰¹ PRO FO 371 54422 F17846/1495/40 G.H. Thompson to Bevin, 14 Dec. 1946.

¹⁰² PRO FO 371 54052 F2129/2129 conversation between B.I.T. Gage, FO, and John Allison, US Embassy, 4 Feb. 1946.

¹⁰³ PRO FO 371 63897 F10872/123/40 British Embassy, Bangkok, to M.E. Denning, 2 Aug. 1947.

¹⁰⁴ PRO FO 46573 F12249/1748/40 memorandum by the President of the Board of Trade, Sir Stafford Cripps, 19 Dec. 1945.

With regard to loans and aid to Siam, the following example demonstrates Britain's situation. In 1947 there was another request from Siam for a loan to help reconstruction, particularly of the railways. The Treasury Chambers sent a very clear answer to the FO that it was '... the brutal fact that in present circumstances we simply cannot afford to make any loans of any shape or size for any purpose to anyone'. The FO transferred the message to the British Embassy in Bangkok, putting on its own gloss: 'HMG simply cannot afford to make any loans of any shape to anyone. "Tis pity, tis true."' The FO also added that they were anxious to help Siam if it were possible to assure the future market, but for the time being it would not be possible to do so.¹⁰⁵ When there was every indication that the Americans were anxious to provide Siam with dollars to obtain the future market for the American exports,¹⁰⁶ it was apparent that Britain could not do so and that inability brought a deep despair particularly among the British in Siam.

Under the circumstances the British were well aware of the possibility of losing markets to the Americans. However, to some degree they were still confident of their position. Although the equipment and parts to reconstruct the railways would not be supplied by Britain in the near future, the FO did not think that there was an immediate danger of the Americans successfully competing with them, since all existing Siamese railway equipment was of British origin,¹⁰⁷ and since changing standardisation of equipment took time such a transfer of supplier seemed remote in the foreseeable future. Thus the British could still afford to be optimistic about the prospect of maintaining British influence as the main supplier in the Siamese market.

¹⁰⁵ PRO FO 371 63898 F14877/123/40 M. Loughnane, Treasury Chambers, to A.M. Palliser, FO, 5 Nov. 1947.

¹⁰⁶ PRO FO 46573 F11506/1748/40 Granger-Taylor, British Embassy, Bangkok, to J.R. Willis, Board of Trade, 6 Dec. 1945.

In the meantime strong backing from the Americans for Siam to get concessions from the British over war claims forced Britain to come to terms with the reality by withdrawing some of the claims.¹⁰⁸ Feeling bitter, the British warned that when the USA removed the protectionist policies of imperial powers, which was a somewhat stable system, racial strife and native chauvinism would replace them,¹⁰⁹ and in retrospect this was true in most ex-colonies.

In 1947 Michael Wright, Killearn's deputy, who had just returned from Singapore and Malaya informed the FO that there was much greater harmony between the British and the Americans on the ground, thanks to the British, who were anxious to persuade the Americans to work with them rather than in competition.¹¹⁰ While the Siamese were unlikely to prove cooperative unless they knew that the Americans were with the British, whatever the British did should be done in closest cooperation with the Americans at any cost.¹¹¹ On the other hand, as Montgomery of the Treasury stated, the

¹⁰⁷ PRO FO 371 46572 F10867/1748/40 I.A.D. Wilson-Young, FO, to R.G. Mercer, Department of Overseas Trade, 7 Dec. 1945.

¹⁰⁸ The Siamese cleverly used the USA in ways, which the British deeply resented, to avoid outstanding UK and Commonwealth war claims which were about £6.5 million, and also to obtain concessions regarding control over Japanese assets in Siam and a sterling loan: PRO PREM 8 1073 W. Strang, FO, to Attlee, 1 Sept. 1949. In May 1950 an agreement was reached for settlement in a lump sum of certain British Commonwealth claims against Thailand for war damages to property owned by Commonwealth nationals. The claims were paid through the re-lease of frozen sterling assets in London: FRUS (1950) vol. vi, East Asia and the Pacific, Policy Statement Prepared in the Department of State, 15 Oct. 1950, p. 1535. Also see I. Pocmontri, 'Negotiations between Britain and Siam on the Agreement for the Termination of Their State of War, 1945: An Instance of Intervention by the US in British Foreign Policy', *MA Dissertation*, Department of International Studies, University of Warwick, 1981.

¹⁰⁹ PRO FO 371 54052 F6208/2129/G61 draft memorandum prepared by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945. As far as Siam was concerned, the British warning of the racial animosity did not come true. In fact, Siamese politics were rather stable and co-operative to the Western powers, that there was no anti-Western feeling as strong as their anti-Chinese sentiment.

¹¹⁰ PRO FO 371 63549 F2616/2616/6 British policy in South East Asia, South East Asia Department, 24 Jan. 1947, p. 4.

¹¹¹ PRO FO 371 84397 FS1193/16 British Embassy, Bangkok, to the FO, 5 Nov. 1950.

British had always tried to carry the Americans with them to release their burdens in Siam, but this resulted in opening a way for the Americans to intervene further.¹¹²

From 1948 onwards Britain still had the same dilemma in Siam concerning the way in which the need simultaneously to compete and cooperate with the USA should be reconciled: over the use of Advisers and in the face of Communist advance in Asia. The presence of the British Financial Adviser to the Siamese government caused enormous jealousy from the Americans, despite the fact that there were numerous American technical advisers working for the Foreign Operations Administration of the Siamese government. Apart from the Financial Adviser to the Siamese government, Britain did not have these same advantages of working closely with the Siamese government.¹¹³ American businesses lamented the shortage of dollar exchange in Siam as the cause of the lack of progress of their business, and there was a tendency among them to believe that the British were somewhat to blame.¹¹⁴ When Siam joined the Sterling group on September 17 1947, this caused much pain within American commercial circles and created hostility towards the British Financial Adviser, William Doll, for the Americans believed that Britain had control of Siamese fiscal policies through his influence. In order to avoid further embarrassment, the US Ambassador finally came forward to be assured that neither the British Embassy nor Doll was exerting undue influence on the Siamese with respect to the exchange rate or cognate problems. He was given this assurance, but was also criticised himself for using Kenneth Patton, the American Political Adviser to the Siamese government, for his own exercise of improper influence on the government. In addition to the jealousy between the Embassies and Advisers, there was also acute

¹¹² PRO T 236 1292 M.D. Montgomery to Rowe-Dutton, 6 May 1947. Montgomery said this to oppose the suggestion made by Whitteridge of South East Asia Department, FO, on talking as openly and much as to the US government regarding the British talks with the Dutch on exports from the NEI.

¹¹³ PRO FO 371 112286 DS1151/4 draft article on Thailand provided by the Commercial Secretariat of the British Embassy, Bangkok, for publication in the Board of Trade Journal, 17 Mar. 1954.

competition between British business circles and local American representatives in Bangkok. Thompson in Bangkok wrote, 'We are dangerous commercial competitors whose disappearance from the Far East would be of enormous benefit to America trade.'¹¹⁵ However much both wanted to prevent it, there was certainly Anglo-American bickering in the community.¹¹⁶ British efforts to work with the Americans may have helped the Americans to be more forthcoming in their views; nevertheless there was a deeply rooted mutual suspicion, and the conflicts between them remained unresolved.

Throughout 1948, Siam's strategic position in SEA was again becoming an issue in front of Communist advance in China. It was the British local authorities that foresaw a complete Communist victory in China and warned the London government to be aware of the disastrous consequence that would considerably alter the situation and prospects in SEA. Thompson in particular emphasised the urgency of the situation by saying that almost anything could happen at almost any moment.¹¹⁷ Once again the security of India, Australia and New Zealand was in jeopardy depending upon halting the advance of Communism in SEA. In these circumstances, the British should do all they could to encourage the Siamese government to commit themselves clearly to the British side and to 'avoid any attempt to compromise with a future Communist Government in China'.¹¹⁸ Though it was believed that there was somewhat greater natural resistance to Communism among the Siamese than elsewhere in SEA because of their comparatively prosperous standards of living and the absence of nationalist struggle in recent Siamese

¹¹⁴ PRO FO 371 70029 F2310/2310/40 annual report for 1947 by G.H. Thompson to Bevin, Feb. 1948.

¹¹⁵ PRO FO 371 84514 FZ1022/4 G.H. Thompson, British Embassy, Bangkok, to M.E. Denning, FO, 1 Feb. 1950.

¹¹⁶ PRO FO 371 63896 F9077/123/40 G.H. Thompson, British Embassy, Bangkok, to FO, 5 July 1947; FO 371 70029 F2310/2310/40 annual report for 1947 by G.H. Thompson to Bevin, 12 Feb. 1948.

¹¹⁷ PRO FO 371 69684 F15157/148/61 G.H. Thompson, Bangkok, to FO, 30 Oct. 1948; FO 371 69684 F17499/148/61/G MacDonald, Singapore, to FO, 10 Dec. 1948. Thompson said, '... this being so, the first duty of people like myself is to stay at their posts ready so far as anyone can be, for the emergency that may suddenly arise'.

history.¹¹⁹ On the other hand, Siam had local Communist elements, which would receive encouragement and possibly material aid from Communist China.¹²⁰ If Siam fell to Communism, the consequences for Malaya would be grave because of the common frontier that they shared. The British also badly needed Siamese cooperation along the southern border, which would help their anti-Communist campaign in Malaya. In return, the success against the insurgency in Malaya would materially contribute to internal security in Siam. The British Embassy, therefore, pointed out to Bevin that they were often surprised by the amount of attention devoted to Burma in word and deed because in comparison with Siam, the troubles in Burma would not have so great an impact on either Malaya or SEA due to her geographical isolation.¹²¹ MacDonald, the Commissioner-General also strongly advised the government to be as forthcoming as possible over the Siamese request for arms and equipment so that the Siamese government could establish stable conditions. Under the circumstances the British FO assured Bangkok that Britain was doing so to the best of her ability in the provision of arms and equipment for the Siamese forces, for having a powerful force was as much in the Siamese interests as the British.¹²²

On numerous occasions the British said that they should do all they could to help Siam politically, strategically and economically in order to keep her on the British side.¹²³

¹¹⁸ PRO PREM 8 1073 W. Strang, FO, to Attlee, 1 Sept. 1949. For more, see PRO FO 371 69684, 76004, 76280, T 236 4446, BT 11 3968, etc.

¹¹⁹ *The Times*, 7 Dec. 1948, and *The Times*, 19 Feb. 1949, cited in PRO BT 11 3968. Nationalistic struggle in most of Asian countries made the masses politically conscious and young intellectuals turn towards Communism.

¹²⁰ PRO FO 371 76004 F5735/1017/61 telegram from FO to Bangkok, 11 May 1949.

¹²¹ PRO FO 371 76280 F12535/1017/40G British Embassy, Bangkok, to Bevin, 16 Aug. 1949. The Malayan insurgents often fled across the southern border of Siam to find refuge, and also the northern Siamese border was most disquieting due to the general trend of bandit movement that was both backwards and forwards conditioned by their need for food: PRO FO 76280 F8678/1017/40 report of interview between Marshal Pibul, Premier of Thailand, and Buckley of the Daily Telegraph, 1 June 1949.

¹²² PRO FO 371 76004 F5735/1017/61 telegram from FO to Bangkok, 11 May 1949.

¹²³ PRO PREM 8 1073 E.E. Tonkins, FO, to E.G. Cass, 10 Downing Street, 27 Aug. 1949.

However, in early 1948 when the possibility of floating a £5 million loan in the London market was brought up, it was said at first that the application would be given a sympathetic consideration because of the Siamese role in combating Communist influence in the region, and any move made by the British would receive wide publicity and emphasise the value of relations with the British and the West in general. Nevertheless, in effect it was rejected at once.¹²⁴

Alone, Britain could not provide sufficient military and financial assistance to the Siamese due to her lack of resources and consequently needed US assistance. Additionally, Britain did not have any alternative other than working with the USA because of the pressure exerted by the Siamese. To the Siamese the UK was a declining power, while the USA was the rising one. Around mid-1949 certain wealthy Sino-Siamese bankers and merchants, who firmly believed that America had given up the Far East as a bad job, and that Britain was virtually powerless to influence the course of events, became financially very cautious and began to seek to convert their investments into liquid resources.¹²⁵ Therefore, unless the Siamese knew that the Americans were behind the British, they could hardly be convinced to work on the British side. According to Thompson's own words,

Whatever we do should, of course, be done in closest co-operation with the Americans, if for no other reason than that Siamese are unlikely to prove co-operative unless they know Americans are with us.¹²⁶

Though widely observed among the British, working with the Americans was more of an urgent matter to the local British authorities in Siam. Thompson in particular was

¹²⁴ PRO T 236 4446 FO to Bangkok, 12 Mar. 1948.

¹²⁵ PRO FO 371 76280 F7411/1017/40 telegram from G.H. Thompson to FO, 23 May 1949.

very precise and alert. He told the FO not to think of any serious approach to Siam nor of making plans for British military experts to go to Siam without some prior agreement with the USA, because unless the Siamese knew that the British and Americans fully understood the Siamese mind and were prepared to act together, the Siamese would not come down irrevocably on their side. Moreover, there would be no useful results from partial aid: 'We must be ready to go a long way. Just to go a little distance will be waste of energy and time.'¹²⁷ In sum, while the 'UK should remain in front of the shop window in Southeast Asia',¹²⁸ the British needed to bring in the USA, to achieve economic and political collaboration in the region.¹²⁹

The American attitude towards SEA from 1948 until mid-1949 (and even beyond) was however, often lamented by their British counterparts. The US State Department was suspicious of British aid to Southeast Asian countries against Communism, which was mostly piecemeal with the furnishing of moral and material support, particularly in Afghanistan,¹³⁰ Burma, and Siam. In particular reference to Siam, not only were the signs of American assistance to the country meagre, but also where they were forthcoming, they were in competition with, or encroaching upon British interests. As a result, the British Embassy in Bangkok wrote to the government at home; 'If the US will not work with us, it should at least be guaranteed that they will not work against our interests (underlined in original).'¹³¹

¹²⁶ PRO FO 371 84397 FS1193/16 G.H. Thompson, Bangkok, to FO, 4 Nov. 1950.

¹²⁷ PRO FO 371 69684 F17833/148/61 G.H. Thompson, Bangkok, to FO, 14 Dec. 1948.

¹²⁸ PRO FO 371 69684 F17833/148/61/G note by P.F. Grey, FO, 22 Dec. 1948.

¹²⁹ PRO FO 371 69684 F15363//148/61/G P.F. Grey to R.J. Bowker (Rangoon), G.H. Thompson (Bangkok), P.S. Scrivener (Singapore), Sir Frances Shepherd (Batavia), F.S. Gibbs (Saigon), 25 Oct. 1948.

¹³⁰ Afghanistan is not included in the category of 'Southeast Asia', but in the term 'Far East', though not always. For instance, R.H. Scott of the FO took the term 'Far East' to mean Afghanistan, the Indian sub-continent, and the rest of Asia, east of India in PRO FO 371 92065 F1022/34/951 memorandum by R.H. Scott of the FO on British Policy in the FE, 30 Oct. 1951.

¹³¹ PRO FO 371 69684 F17833/148/61 G.H. Thompson, Bangkok, to FO, 14 Dec. 1948.

Despite the attitude in Washington the local US authorities in Siam were more understanding and perceptive. The local US representatives in Siam were not only more than willing to discuss Siamese matters freely with their British counterparts, but also to make representations to the government at home.¹³² The US Ambassador in Bangkok, Stanton, for example, raised issues related to Siam and the Communist threat to SEA on his own initiative when he met Thompson and entirely agreed with the latter's opinion of the need for close Anglo-American consultation and agreement on how to deter Communist threats to SEA and Siam. Stanton himself feared that little was to be expected from Washington because the general impression there seemed to be that since the Americans had so much on their hands in Europe there was not much they could do in SEA.¹³³ Nevertheless, this was a valuable encouragement to the British authorities, while Washington was not quite prepared to talk about Siam in their belief that Siam was primarily a British responsibility. When Dening went to Washington with the idea of conducting a full-scale review with the USA of the possibilities of action in SEA he was told by Walton Butterworth, the US State Department's Director of Far Eastern Affairs, that it was doubtful whether the Western countries could usefully do much to influence the Southeast Asian countries and thus Britain ought not to fritter away her resources on behalf of governments that were neither willing nor able to stand up for themselves.¹³⁴ The British FO gathered that the US government, after having had their fingers burnt in China, where the USA 'suffered a severe setback and a grave emotional disappointment

¹³² PRO FO 371 69684 F17833/148/61/G note by P.F. Grey, FO, 22 Dec. 1948.

¹³³ PRO FO 371 69684 F17971/148/61/G G.H. Thompson, Bangkok, to FO, 17 Dec. 1948.

¹³⁴ PRO FO 371 69684 F17833/148/61/G note by P.F. Grey, FO, 22 Dec. 1948; FO 371 76024 F14149/1024/61 M.E. Dening, Washington, to W. Strang, FO, 15 Sept. 1949; FO 371 76024 F15735/1024/61 FO minutes by M.E. Dening, 12 Sept. 1949; FO 371 76025 F17668/10345/61G R.H. Scott, FO, to H.A. Graves, Washington, 24 Nov. 1949.

in the extension of Communist influence',¹³⁵ were unwilling to risk burning them further in SEA. Therefore Scott warned the British government that unless the British could induce a radical change of heart in the US State Department, it very much looked as though the British should have to 'try and hold the Siamese baby alone'.¹³⁶

Throughout the post-war period the Siamese were eager to earn dollars to the degree that the procurement of rice by Britain and the Sterling area and their payments became a source of a long-running conflict between the countries involved. The Siamese exports to the Sterling area were normally paid for with sterling, and since Britain and the Sterling area were her major trading partners, Siam in the past had not been unwilling to hold sterling in reasonable amounts. However, as the possibility of obtaining capital equipment of all kinds, particularly locomotives and railway equipment, from the Sterling area was becoming uncertain, the Siamese were trying to export more toward the dollar area. The British were afraid that in the near future the Siamese might want to get dollars by the method of withholding a proportion of their exportable rice from the Sterling area. As Malaya and Singapore depended greatly on rice imports from Siam, this could affect her counter-insurgency effort. It was also possible that Siam would demand dollars for her rice supply to the Sterling area, which was equally unacceptable, for the whole British Empire and Commonwealth were suffering from the shortage of dollars. Thus, the British Cabinet invited the Chancellor of the Exchequer, Stafford Cripps, in consultation with the President of the Board of Trade, Harold Wilson, to discuss how far it was possible to meet Siam's requirements for capital as well as consumer goods. Additionally the Board of Trade examined the matter of granting of priority to Siam in

¹³⁵ PRO FO 371 76386 W5573/3/500G P.U.S.C. (51) Final: Anglo-American Relations: Present and Future, produced by the Permanent Under-Secretary's Committee, Oct. 1949, p.4.

supplying the required goods, from the point of view of developing British connections in a market, which was likely to have considerable long-term possibilities for capital goods. The British manufacturers who prior to the war used to be the suppliers of vehicles, machinery, chemicals and drugs, miscellaneous manufactured goods, iron and steel and textiles for Siam, were, of course, interested in the Siamese market as a long term prospect for investments. Provided that there was official encouragement, they wished to develop the Siamese market, not only by supplies of goods but also through the supply of services of a technical kind. In spite of the willingness by the manufacturers to proceed, and the government's full awareness of the vital nature of Siamese exports and the necessity for maintaining British economic connections with her, the British government could not offer Siam priority for orders of capital goods for which there was a demand in hard currency markets.¹³⁷ It was at this time that alleged instructions were made to British manufacturers from the British government to retain their output or most of it for the home market, and thus to decline to accept orders from the colonies.¹³⁸ A Working Party, established to examine Siamese dollar position and their request for goods, concluded that Siam's dollar position was by no means tight, and her eagerness to obtain more dollars was mainly due to her conviction that the sterling would not buy her the goods that she needed, while dollars would. Though the analysis was accurate, the British chose the wrong way to renew Siamese confidence in the purchasing power of sterling, for the conclusion drawn by the Working Party was no more than an empty

¹³⁶ PRO FO 371 76004 F5735/1017/61 minutes by R.H. Scott, 5 May 1949.

¹³⁷ PRO BT 11 3968 minute on Siam's Requirements for Sterling Goods, 2 Aug. 1948; BT 11 3968 Export Promotion Department, Board of Trade, to L. Petch, Cabinet Office, 27 Aug. 1948

¹³⁸ CD (49) 1, 25 Jan 1949, cited in Morgan, *Developing British Colonial Resources 1945-1951*, p. 22. The CO, despite the final responsibility for dependent territories, did not have any voice in allocations of commodities (virtually all commodities) in which they were interested.

rhetoric promise: '... give them some hope that their requirements can be met from the United Kingdom in the not-too-distant future'.¹³⁹

In spite of a favourable trade balance with the dollar area in 1947 and 1948, the Siamese were about to impose considerable restrictions on dollar imports, which would leave them only two alternatives for the procurement of their requirements in railway equipment, either the UK and the Sterling area or the Soviets. The British were well aware of the fact that unless her requirements for machinery and capital equipment were satisfied, there was a danger of her developing close trade relations with the Soviets and Czechoslovakia, of whom the former was interested in Siamese tin, and both had already made generous-sounding offers of machinery.¹⁴⁰ However, even after 1949 when the British economy recovered the pre-war level in terms of production, a Siamese request for locomotives was still turned down for the same reason as in previous years and again in 1951, although this time because of the rearmament programme in Britain.¹⁴¹

The problem with sterling payments in Siam continued throughout the rest of the Attlee government. There were some cases in which the buyers were required to pay with dollars by the sellers, and also rumours that the Siamese Ministry of Commerce actually demanded US dollars in payment.¹⁴² The Siamese government, in effect, pursued a definite policy of building up dollar reserves even to the point of converting some sterling holdings into short term dollar assets. Since the British and Australian companies

¹³⁹ PRO BT 11 3968 CABINET O.N. (48) 310: report (Exports to Siam) of the Working Party of the Overseas Negotiations Committee, 31 Aug. 1948.

¹⁴⁰ PRO FO 371 76043 F11997/1103/61 Economic Survey of Thailand (Summary and Conclusions): FO minute, 12 Aug. 1949.

¹⁴¹ PRO FO 371 101170 FS1022/1 report of conversation between Siamese Prime Minister and Sir J. Bent, Deputy Commissioner-General for Southeast Asia, 31 Mar. 1952.

¹⁴² PRO FO 371 84378 FS1114/1 and FS1114/3, 84433, 84384, BT 11 3968, T 236 446 etc.

controlled 75 per cent of tin in Siam,¹⁴³ and the majority of the tin ore was exported to the Malayan smelters, the Siamese government asked the companies to pay partially with dollars. As a response to this request Thompson in Bangkok suggested to the FO that the British government should offer the Siamese government hard currency for some portions of their tin ore exports to Malaya. In spite of the strong inducement for the Siamese to ship tin ore to the USA owing to exchange advantages due to the premium on dollars in the open market, the advantage on exchange was not sufficient to outweigh the disadvantages to exporters of the American payments system by which final payment was made one month after the arrival of the shipment in the USA and at the price then ruling. In any case, after the 1949 sterling devaluation, which was thirty per cent against the US dollar, the exchange advantage was not so great, and sales of tin ore to the USA actually fell off. Nevertheless, this gesture of paying the Siamese exports partially with dollars was designed to show goodwill. Here the British authorities were again in a dilemma. If the British paid for Siamese tin partially with dollars, the Siamese would no longer be anxious to export tin ore to the USA because of the disadvantage explained before. The USA needed high quality Siamese ore for its domestic smelting industry. Thus, unless some of the Siamese ore were sent to the USA, the Americans themselves would seek concessions in Siam and might try to directly control Siamese tin mines, which would be very much against British interests. Moreover, it was also possible, as the Ministry of Supply pointed out, that the Texas smelter would backward invest to secure Siamese tin ore and locate permanently in Siam, an idea that the FO 'hated'.¹⁴⁴

In Siam there was plenty of sterling available, and the British were confident that their products and methods of business had a good reputation locally. In 1950, the First

¹⁴³ Australia had a considerable interests in the Siamese tin mines. In fact it was they who invented the bucket dredging against the traditional method of open casket, which greatly helped the western firms

Secretary (Commercial) in Bangkok sent an article for publication in the Board of Trade Journal. He wrote that direct exports from the UK to Siam had increased encouragingly and steadily ever since the war, and especially after devaluation, the advantage of trading with the UK for Siam was in addition to the fact that British prices did not rise so sharply as those of other producing countries.¹⁴⁵ However, the reality was much grimmer than anticipated in the article and reflected the typically confident attitude among the British. It was true that UK exports to Siam steadily increased throughout the post-war years. However, the percentage (calculated on the basis of the value of the export) of British exports to Siam was still only half the 1938 level in 1948, and only reached the pre-war level in 1954. This whole picture looks rather disastrous in comparison with US achievement in the country; US exports occupied 6.59 per cent of the total Siamese imports in 1938, but eleven years after, the percentage went up to 15.67 per cent. On the other hand, imports by Britain did not change much, staying steadily around 3 per cent, except around 5 per cent in 1949. Thus Britain enjoyed a favourable balance of payment with Siam, whereas the US import ratio doubled from 1938, 11.09 per cent, to 1948, 22.24 per cent, though it subsided gradually in 1949, the USA running an unfavourable trade with Siam. After the end of the Korean War boom, US imports from Siam then rapidly reduced while exports substantially increased. Overall, US exports to Siam dramatically increased from 6.59 per cent in 1938 to 20.51 per cent in 1954, while UK exports from 13.73 per cent to 13.08 per cent respectively.¹⁴⁶

(with capital) overtake Chinese position in tin mining.

¹⁴⁴ PRO FO 371 84433 FS 1543/1-2, 4, 6, 17 and 20. See file FS1543/10 for the figure of tin ore exports.

¹⁴⁵ PRO FO 371 84376 FS 1122/1 article written by the First Secretary (Commercial) in Bangkok for publication in the Board of Trade Journal, 1950.

¹⁴⁶ United Nations, *Yearbook of International Trade Statistics 1954*, prepared by the Statistical Office of Department of Economic and Social Affairs, the United Nations (New York, 1955), pp. 495-6. The table below is based in Table 6. Trade by Principal Countries of Production and Sale, in p. 496, and the percentage was reproduced by the author; 'imports' means 'General Imports c.i.f' and 'exports' means 'General Exports f.o.b';

The majority of British enterprise in Siam were merchant firms which worked as merchants, agencies, and also producers like the Borneo company, and there were banks, tin and petroleum companies.¹⁴⁷ UK export trade with Siam was dealt with by various selling organisations on the spot. Firstly, there were branch houses and the representatives of British manufacturers of capital and consumer goods, and secondly there were merchant firms who worked with British firms in a smaller scale, who could not afford the former type of operation. The merchants firms worked by establishing contracts with firms in the UK who needed agents for sales, and, if necessary, acted as financiers for them.¹⁴⁸ Since a very large percentage of total UK export trade was done by smaller firms who worked with and were assisted by the locally-based reputable British merchant firms and managing agencies, less trade between Britain inclusive of the whole Sterling area and Siam meant less profit for these agencies. The degree of despair felt by the American business community in Siam about the shortage of dollar exchange in the country is, therefore, hardly surprising, for less dollars in Siam meant less trade between the two countries, and less profit for them.¹⁴⁹

Principal Countries	1938	1948	1949	1954
Japan	Imports 15.61	2.42	8.30	22.95
	Exports 1.17	0.30	6.05	28.28
Malaya	Imports 13.08	33.53	18.29	0.65
	Exports 56.44	23.92	29.56	26.35
United Kingdom	Imports 13.73	7.03	8.69	13.08
	Exports 1.42	2.69	4.96	2.91
United States	Imports 6.59	9.18	15.67	20.51
	Exports 11.09	22.24	16.53	5.61

¹⁴⁷ This is the list of the biggest British businesses in Siam: Borneo Co., Ltd., Anglo-Thai Corporation, Ltd., Bombay-Burmah Trading Corp., Ltd., Louis T. Leonowens, Ltd., London Tin Corp., Ltd., Siamese Tin Syndicate, Ltd., Kamra Tin Dredging Ltd. & Pattani Tin, Ltd., Asiatic Petroleum Co. (Siam) Ltd., Chartered Bank of India, Australia & China, Hongkong & Shanghai Banking Corporation, Mercantile Bank of India: PRO BT 11 2515 letter to D. Carter, Trading with the Enemy Department, 21 Aug. 1945.

¹⁴⁸ PRO T236 1960 minutes of the sixth meeting of the Overseas Trade Development Council, Department of Overseas Trade, 2 May 1945.

¹⁴⁹ PRO FO 371 70029 F2310/2310/40 Siam: annual report for 1947 by G.H. Thompson, British Embassy, Bangkok, to Bevin, 12 Feb. 1948.

The competition between the business communities was fierce, and British businesses in Siam were acutely aware of the American advance, while competition from other countries for sometime to come was discarded. The British manifested their fear of competition from representatives of American interests taking advantage of the situation that the USA was not in a state of war with Siam, while the Americans were 'obviously trying rapidly to establish friendly relations with Siam in the interest of future trade'.¹⁵⁰ Their fears were often worsened by the openly declared optimism of people in the USA. A speech made by Vincent, the Director of Far Eastern Affairs in the US State Department on 12 November 1946, was an example of their ambition and of the aggressive tactics intended to increase trade with the Far East. In this, he confidently stated that private business and government should work together for that purpose;

When I use the term "American business" I have in mind all American business irrespective of whether it has a private, semi-official, or official character. I do not believe that we can have one standard for private business and another standard for official business.¹⁵¹

The readiness of the USA to compete with British traditional interests in various parts of the Far East, especially in Siam, often aggravated the relationship between the established overseas communities of the two countries.

Local American interests were aggressive and forthcoming, and they worked hard to keep the British out of the market, lavishing all kinds of attractive promises on the Siamese. As a result, the Siamese, who were already somewhat affected by Britain's

¹⁵⁰ PRO BT 11 2515 note of a meeting held at the Trading with Enemy Department, 11 Oct. 1945. The business side was presented by Borneo Co. Ltd., Bombay-Burma T.C. Ltd., Thai Tin Syndicate, Shell Co., Anglo-Thai Corp., and John Swire & Sons Ltd; the Treasury, the FO, the Board of Trade and the Department of Overseas Trade presented the Government.

internal difficulties and problems, were slow in issuing tenders or in placing firm orders with the British firms because they were waiting to see to what extent these promises were likely to be implemented.¹⁵² Nonetheless, by the end of 1948 great relief was felt throughout the British business community in Siam with respect to US competition. On 14 December 1948, a despatch was sent from Bangkok to the British FO stating that 'they [the Americans] have not succeeded in ousting British influence either political or economic'.¹⁵³ Another despatch was soon followed;

... the British community, since resuming operations in 1946, have done extremely well and earned large profits. In contrast, the Americans, who fondly imagined at the end of the war they should sweep the board here commercially, have not done nearly as well as they anticipated¹⁵⁴

Despite the fact that there was a very large increase in the strength of the American business community since the war, they had somewhat excessive expectations of newly arising opportunities in post-war Siam. Their new business ventures were still on a small and rather individual scale except for the Standard Vacuum Oil Company and International Engineering. Insomuch as the Americans, most of whom had expected a commercial walk-over in post-war Siam, looked forward with keen anticipation to the convertibility of sterling from July 1947 onwards as a means of remedying the dollar shortage, their disappointment was profound when convertibility was suspended in

¹⁵¹ PRO FO 371 53971 F17004/13/61 speech by the Director of Far Eastern Affairs Committee in the US State Department, 12 Nov. 1946.

¹⁵² PRO BT 3968 Bangkok to FO, 14 Sept. 1948.

¹⁵³ PRO FO 371 69684 F17833/148/61/G despatch from Bangkok to FO, 14 Dec. 1948.

¹⁵⁴ PRO FO 371 76024 F16284/1024/61 G.H. Thompson, British Embassy, Bangkok, to M.E. Denning, FO, 18 Oct. 1949.

August.¹⁵⁵ The acute shortage of dollar exchange throughout 1947 in Siam 'caused much heart-burning in American commercial circles'. Even worse, when Siam in due course joined the sterling convertibility group to enable her sterling earnings to be used for current transactions with a variety of non-dollar countries, 'the American sense of frustration reached its height'. Although this hostility subsided towards the end of the year when dollar prospects improved with increased American buying of tin and the possibility of substantial American purchases of rice for Chinese relief, this was the time of a sharp return of exchanges between the British and American Embassies in Bangkok upon the use of the British Financial Adviser to the Siamese government.¹⁵⁶

The Americans attributed the relative success of the British in post-war Siam to the existing British private business interests.¹⁵⁷ However as far as the companies that produced goods for local consumption were concerned, competition was fierce, and the success was limited due to the size of the market. For instance, Shell, which supplied oil for the Siamese market, saw a reduction of their proportion of Siamese trade since the war as a result of the advent of Caltex to the Siamese market.¹⁵⁸ Unilever, which competed against Procter and Gamble in Siam as in other Southeast Asian countries, also had the same disadvantage as a producer of goods for local consumption. This local competition was beyond the reach of the central government, but the success or failure entirely depended, for instance, on the price and reputation of goods.

The British political authorities were not in a position to dismiss lightly the undue pessimism in some British commercial circles regarding their future business in Siam while the political situation in Malaya and China was rapidly deteriorating. However, in

¹⁵⁵ *ibid*; FO 371 70029 F2310/2310/40 Siam: annual report for 1947 by G.H. Thompson to Bevin, 12 Feb. 1948.

¹⁵⁶ *ibid*

¹⁵⁷ FRUS (1950) vol. vi, East Asia and the Pacific, Policy Statement Prepared in the Department of State, 15 Oct. 1950, p. 1535.

the absence of the extreme political and economic conditions that many British firms experienced in post-war Malaya, Indonesia and Burma, most of the requests made by British enterprise in Siam were not as urgent as in those countries. The correspondence was made up of expressions of confusion about the timing of opening trade and the passage of British business personnel wishing to return to Siam. There were suggestions within business circles of the possibility of providing credits and loans for the Siamese to buy more from Britain. Nevertheless, the British FO and the Embassy in Bangkok kept up close communication with British business about their interests in Siam. Thus, when four or five American tobacco experts were being sought by the Siamese in June 1949 and Dean Rusk, US Under-Secretary of State, promised assistance in selecting them along with railroad experts to advise on the rehabilitation of Siamese State Railways and electrical engineers to work in the Bangkok power station, the withdrawal of the British-American Tobacco Company from Siam earlier on March 31 was recorded as unfortunate and somewhat an unduly precipitate decision.¹⁵⁹

There was another incident that induced a series of correspondence between British firms, the Embassy in Bangkok, and the London government. Throughout January 1950 the British Embassy in Bangkok and the FO carefully watched the establishment of an American company to manufacture plywood in Siam, which was the first instance of the investment of American capital in an industrial enterprise in Siam. The Commercial Secretary at the British Embassy, immediately made contact with the Manager of the Bombay-Burmah Trading Corp., which was one of the largest timber concerns in Siam. The Manager told the Commercial Secretary that the Corporation were not interested in establishing a factory in Siam, but one on Borneo and another in

¹⁵⁸ PRO FO 371 84384 FS1121/10 FO to Bangkok, 5 July 1950.

¹⁵⁹ PRO FO 371 76280 F9094/1017/40 telegram from Bangkok to FO, 22 June 1949.

the Andamans, and also added that he did not think that any British firm would invest in such an undertaking in Siam because of political uncertainty, and of the alleged demand that the Siamese government should have a controlling interest.¹⁶⁰ However, in less than ten days another despatch was sent to the British FO to report that the establishment of an American plywood factory might be more serious than it had at first appeared. It now appeared to be a big threat to British commercial interests in Siam because the new plywood factory would be an activity of the Forest Industrial Organisation (set up by the Siamese government) to work the government leases in the teak forests and to market the timber therefrom. Therefore, when the proposal that the Forest Industrial Organisation should be re-capitalised on a joint Siamese/American basis under American management was made, this would not only give US capital an immediate considerable interest in forestry in Siam, which was hitherto a virtual British and Danish monopoly so far as foreigners were concerned, but also it would almost certainly mean the elimination of the British and, of course, the Danish teak firms on the event of expiration of their leases in 1955 or thereabouts.¹⁶¹ The prompt reaction of the British Embassy to the news of Americans establishing a factory, their immediate contact with business and the FO at home, and their insight in the establishment that would affect the existing British interests clearly proved the closeness between the British business community in Siam and the British local authorities. Likewise, when the managing agencies selected managers, their ability to mingle with the civil servants was taken account of in their selection, as close communication between them was a mutually valuable asset.

In 1953 and 1954 the situation did not change substantially. The British were keen to improve their position relative to that of their competitors, mainly the USA and

¹⁶⁰ PRO FO 371 84405 FS1281/1 G.H. Thompson, British Embassy, Bangkok, to Hector McNeil, FO, 4 Jan. 1950.

notably Japan and Germany.¹⁶² The rumour of a loan negotiation between the Siamese government and the US government was immediately passed to the Board of Trade and Export Credits Guarantee Department, in case the US loan resulted in a substantial reduction in UK exports to Siam. At the same time the British firms were also anxious to know the possibility of a sterling loan with an expectation to increase exports to Siam; 'if Siam had the sterling she would as readily spend it here as anywhere'.¹⁶³ However, as in the 1940s this kind of request was firmly turned down by the government with same sort of explanation: 'there were a large number of countries ... who would like money from us and we had not enough to go round and it was a question of priorities'.¹⁶⁴ The business interests and local British authorities in Bangkok, on the one hand, were optimistic about their future position as they were convinced that UK capital goods had a high reputation in the country. However, on the other hand, they felt themselves to be in a disadvantageous position in comparison to the Americans, due to the presence of numerous American technical advisers working for the Siamese government, who would obviously recommend the Siamese government to use American products.¹⁶⁵ Moreover the British Embassy was anxious about the British importing firms in the country buying

¹⁶¹ *ibid.*

¹⁶² PRO FO 371 106905 FS1152/1 letter from British Embassy, Bangkok, to Salisbury, 13 Aug. 1953. At the end of 1945 the British government, especially the Treasury and the Board of Trade, observed that Japan would 'not be a serious competitor for at least a short period, and Germany for a much longer period' (PRO FO 371 54052 F 6208/2129/G61 draft memorandum prepared by the Far Eastern Civil Planning Unit of the Cabinet Office, 31 Dec. 1945, p. 5). However differently from what was expected, 1950 onwards German competition was already well-positioned in the region. This is reflected in the various Treasury and Board of Trade files in 1950 and 1951.

¹⁶² PRO T 236 61 Currency: Sterling Area - Dollar Pool 1944-46. The Americans, on the contrary, constantly complained that because of the abundant sterling the Asian purchaser would automatically look to the Sterling area.

¹⁶³ PRO FO 371 112286 DS1151/9 letter from H. Edgar of Edgar Brothers Ltd. to the Board of Trade, 16 Aug. 1954 and note of interview written by S.H. Levine, Board of Trade, 30 Aug. 1954. Also see FO 371 112285 DS11345/3 letter from H. Edgar of Edgar Brothers Ltd., to S.H. Levine, Board of Trade, 6 Dec. 1954.

¹⁶⁴ PRO FO 371 112286 DS1151/9 letter from H. Edgar of Edgar Brothers Ltd. to the Board of Trade, 16 Aug. 1954 and note of Interview written by S.H. Levine, Board of Trade, 30 Aug. 1954.

¹⁶⁵ PRO FO 371 112286 DS1151/4 draft article on Thailand by the Commercial Secretariat of the British Embassy, Bangkok, for publication in the Board of Trade Journal, 17 Mar. 1954.

indiscriminately from all countries rather than from Britain, and also about British manufacturers who instead of investing capital in improving their sales organisation in Siam kept their assets 'as small as possible in views of the nationalistic tendencies of Siamese economic policy and other the Communist threat to Southeast Asia'.¹⁶⁶ As they did throughout 1940s, the main actors worked together in the 1950s so as not to lose their traditional interests in Siam in the 1950s. Thus the British business community and the Embassy, which would immediately inform the government at home even a slightest change to US business interests in the country, kept watchful eyes towards the USA.

Conclusion

The experiences of British businesses in Siam and Indonesia during the period concerned differed to a large extent in accordance with the political and economic situation in the host countries. There was, however, a common fear of losing business. In the case of Indonesia, British businesses faced a completely new situation after the end of the war — things had moved from a position of relative stability to one of complete chaos. The resumption of business was almost impossible because of the hostilities between the Dutch and Indonesians, and there was also the possibility of losing their businesses as a result of an abrupt nationalisation programme in the newly independent Indonesia, where economic policy was subordinated to the political stance that was based on strong nationalist and anti-foreign sentiment. British businesses in Siam were feared being gradually eliminated by the Siamese government's systematic discrimination against foreign interests and by foreign competition. The competition from American businesses was especially fierce. American companies were given an advantage by the fact that they were based in the USA with all the political power and economic weight that this fact

¹⁶⁶ PRO FO 371 106905 FS1152/1 letter from British Embassy, Bangkok, to Salisbury, 13 Aug. 1953.

alone bestowed upon them. In addition to this the US firms showed a remarkable desire to actively anticipate in new opportunities that had arisen in Siam in the post-war period. In these circumstances the British government and local British authorities, and British companies in these countries kept in close touch. Information was exchanged, and communication was exceptionally close. Their interests — profitability and protection of British subjects and expansion of British business interests — coincided rather than conflicted. Both sides understood the need for coherence and for cooperation between them if they were to be more effective, and this was especially the case as British interests depended on the generosity of the host countries.

What is worth mentioning here, though it was never intended to undertake a research on the subject, is the peculiar continuity of the elements that had determined Britain's pre-war relations with Siam in the post-war period. Admittedly British dominance in post-war Siam was not so firm as in the pre-war times, not least because of Siam's need of material assistance from the USA and of US support to shed off Britain's war claims. Yet the British continued to enjoy strong influence over Siam due to the presence of the British Financial Adviser, and the tight economic and commercial bond between Siam and Britain and the Sterling area. In hindsight the factors that had determined pre-war relations between the UK, USA and Siam also existed in the post-war period, especially because of Siam's need of US support and protection. Britain's position was again challenged by the external factors rather than by any internal source, especially in the light of the escalating tension between the Communist and non-Communist forces in Asia, which resulted in increasing the significance of Siam's strategic position and the growing significance of the US role in the strategic thinking of Britain and Siam. There are also similar features of the pre-war times. These stretched from jealousy over the use of the British Financial Adviser, and the power of the dollar,

to things as trivial as the concern of the British authorities about the possibility of the Americans interfering into the Siamese tin industry. As Aldrich correctly points out, there was a change in the general attitude of the Americans toward Siam throughout the war and in its aftermath. US policy shifted from being one of firmness to one that was concessionary.¹⁶⁷ Nevertheless, the intransigence of the local American authority in Siam and Washington was evident. The lack of interests in Siamese matters in the latter part of the 1940s — differently from their enthusiasm during the immediate years of the post-war period — prevented the USA from taking advantage of themselves being in a better position in Siam. Another difference between the pre-war and post-war periods was the confidence among the American commercial interests in Siam and the consequent fierce competition between the British and American business communities. However, while the bilateral trade between Britain and Siam looked, comparatively speaking, to be in decline, there was no ‘commercial walk-over’ by the American businesses in Siam either. Helped by the strong traditional link of Siam and the Sterling area, British businesses still retained their position. In summary my findings suggest that the main issues that characterised Britain’s relations with Siam during the 1930s and the 1940s still persisted in the 1950s, while the decline of Britain’s influence over Siam was more evident.

¹⁶⁷ Aldrich, *op.cit.*, pp. 368-73.

Chapter. 7 Diversification and Flexibility: The Survival of British Firms in Southeast Asia

We have seen that the British governments and firms with business interests in SEA worked closely together to overcome post-war problems in the region. However, despite the fact that there was a symbiosis of interest in the interactions between them, there were limitations as to how far that this could go and the firms were often left alone to deal with problems. In such circumstances, if the firms were determined to survive, they had to adapt to new situations. In doing so, flexibility to adjust, to diversify, and to withdraw if necessary was essential. This was possible and sometimes necessary as a large percentage of them had various interests in various countries, and thus were subject to all kinds of external pressures.

Apart from war destruction, and economic and political instability immediately following the war, firms were confronted by the challenges posed by the presence of nationalist movements across the region, over which the British government hardly had any control. When a newly appointed Manager of the Haiphong branch of the Hongkong and Shanghai Bank in Indochina, Chambers, was heading north to reach the office, he was struck by the look of animosity on the faces of the local Vietnamese. To start a banking business there, he had had to go and see Ho Chi Minh to obtain permission. He emphasised the fact to Ho Chi Minh that the bank had nothing to do with the French, being entirely British, and that there was no trouble between the British, the Viet Cong and the Viet Minh.¹ Permission was eventually given, but not all such stories had happy endings. The main element of the Indochinese anti-Western propaganda was their antagonism towards foreigners and foreign business interests for exploiting the natural

¹ King, *The History of the Hongkong and Shanghai Banking Corporation*, vol. iv, p. 95.

abundance created from their land. The Manager of Hongkong and Shanghai Bank in Singapore complained of discrimination against British banks in Indochina and mooted the possibility of closing down his branches in the country, though in the end he was advised by the central quarter to bide his time: *festina lente*.²

Discrimination against foreign business interests was present everywhere in post-war SEA. Even in Siam, where foreign business interests enjoyed the conditions of relative political stability, growing nationalism had an adverse effect on British commercial and shipping interests. Government monopolies were set up in various fields, and leases were renewed on less favourable terms for the foreigners as the scales were weighted against the foreign traders.³

However, the problems in independent Indonesia were unprecedented. On 27 December 1949 the Netherlands formally transferred sovereignty to the Indonesians. At a Round Table Conference held at the Hague from 23 August to 2 November 1949, the Indonesian delegates, Sukarno, the would-be President of the Republic of the United States of Indonesia (RUSI), and Hatta, its prospective Prime Minister and Vice-President, provided various guarantees for Dutch investments in Indonesia along with agreements on consultations on some financial matters.⁴ The British valued highly the continued commercial and economic connection between the Dutch and Indonesians after independence. They did so from the point of view of their own commercial benefit as they knew that this was reliant on the presence of stable conditions in Indonesia (as has been pointed out in previous chapters). When such conditions gave way to instability the consequences were devastating for British business.

² PRO FO 371 63554 F3521/3521/61 Special Commissioner, Singapore, to Batavia, 12 Mar. 1947. He also complained of the lack of business in Java, so considered the possibility of closing down the branches in the NEI. Again he was advised that closing down might be premature and that considerable opportunities for British banks were likely to arise in time especially in the NEI.

³ PRO FO 371 46545 F4298/G Policy towards Siam by Far Eastern Committee, 14 July 1945.

There was constant labour unrest which the British firms believed to have been instigated by Communists who were seeking, for their own nefarious ends, to paralyse production by dominating a new and unregulated trade union movement.⁵ Moreover, by March 1951, theft, murder and general insecurity in the plantation areas were becoming serious.⁶ As a result, the Annual General Meeting of AsAhan Rubber Estates, Ltd., for instance, announced on 29 March 1951 a loss of property and profit to the equivalent of about £5 million, excluding the tobacco crop, on which the loss could not yet be assessed.⁷ When the British Ambassador at Djakarta (formerly Batavia) and the FO were criticised for having been on the side of the Indonesians and unwilling to stand up for British nationals and their interests, the reply was that the only hope seemed:

to lie in continued efforts by the Western powers to treat the Indonesian Government sympathetically and assist unobtrusively and gradually to establish peace and prosperity. ... We are satisfied that the policy of patient persuasion is the only one likely to be effective . . .⁸

However, as far as the British firms were concerned, there were businesses to run, and yet nobody really seemed to be able to alter anything.⁹

Finally President Sukarno made a public statement at the beginning of September 1951 calling for firmer action against lawlessness, but he did not succeed in establishing

⁴ Ricklefs, *op.cit.*, p. 220.

⁵ PRO FO 371 92494 FH1151/22 The 38th Annual General Meeting of AsAhan Rubber Estates, Ltd., 29 Mar. 1951. For more reports on strikes, see *The Times*, 8 Feb. 1951.

⁶ PRO FO 371 92494 FH1151/20 British Embassy, Djakarta, to the FO, Mar. 1951; there are details of robbery and damage on rubber estates in Indonesian, in *The Times*, 1 Feb. 1951.

⁷ PRO FO 371 92494 FH1151/22 The 38th Annual General Meeting of AsAhan Rubber Estates, Ltd., 29 Mar. 1951.

⁸ PRO FO 371 92495 FH1151/47 Parliamentary Under-Secretary, to Geoffrey Wilson, House of Commons, 24 Nov. 1951.

⁹ PRO FO 92494 FH1151/30 Royal Norwegian Consulate General, Djakarta, to Leif Hoegh & Co., Oslo, Norway, 21 Apr. 1951.

immediate order.¹⁰ The basic problem with independent Indonesia was that the accelerating growth in the population served to worsen the conditions of food shortage. The social instability that this caused was further complicated, from the point of view of foreign firms, by an economic policy which kept the exchange rate artificially high in order to provide support for the net-importing economy of Java. This, in turn, imposed difficulties on export industries.¹¹ In such circumstances, where revenues from export activities were hit badly, gold and foreign exchange reserves were drained to finance non-productive areas like the army, rapidly growing government jobs, and other projects such as constructing prestige buildings.¹² In addition, the situation was further complicated when the Korean War boom was over and the price of rubber fell by 71 per cent. In an effort to correct the unfavourable balance of trade the Indonesian government imposed heavy surcharges on luxury imports and they cut government expenditure.¹³ At the same time, the government consistently controlled the selling prices of goods, which impeded the manufacturers' struggle to make a profit in circumstances of the ever rising price of raw materials.¹⁴

In order to tackle all such problems, unique to the post-war period, the British firms needed to be flexible and ready to modify their methods, in accordance with the external business environment. In 1956 the Borneo Company published its history of the first one hundred years of trading in the Far East. It emphasised the key points that enabled survival as being flexibility and the creative use of human resources;

... an enterprise which, with its fifteen subsidiary companies,
will sell you anything from a teak log to a box of matches, a

¹⁰ PRO FO 92495 FH1151/38 E. Davies, Parliamentary Under-Secretary, to P.G.T. Buchan-Hepburn, House of Commons, 4 Sept. 1951.

¹¹ Ricklefs, *op.cit.*, p. 226.

¹² Fieldhouse, *op.cit.*, p. 286.

¹³ Ricklefs, *op.cit.*, p. 233.

barge to a bottle of beer; which will insure you, book you an air passage, victual your ships, or act as your agent whatever country you may live in and whatever you want to sell. The secret of all these great 'venture' companies lies in flexibility, the way in which if one line of activity fails — as, for instance, tea failed a couple of years ago in Sumatra, never having recovered from the war — they can immediately probe out elsewhere. And the secret of flexibility lies, of course, in human beings.¹⁵

In retrospect flexibility was not something strategically chosen as a way of survival, but something the firms had learnt from the past experiences of going through fit and lean years.

The merchants had always sought fresh opportunities to expand their interests, and investment in rubber was a result of a deliberate attempt by the merchants (with the help of Ceylon coffee planters) to select another tropical crop that could be adapted to plantation in the East. The agency houses and the rubber companies had to learn how to adapt to the times because of their experiences with fluctuations in the demand for rubber, for instance, during the rubber boom in the 1900s resulting from the American car production boom, and the downturn in world trade in the inter-war period. Moreover, their involvement in the extractive industries widened the scope of, and complicated, their business interests: they were traders, agencies and secretaries for the rubber companies, had interests in shipping, insurance, and banking, and also owned

¹⁴ Fieldhouse, *op.cit.*, p. 292.

¹⁵ Longhurst, *op.cit.*, pp. 112-13.

rubber companies which they floated in public. The more estates they controlled, the bigger the business done in the estates' supplies and engineering departments.¹⁶

In Harrisons & Crosfield's case, the collapse of business interests in Russia after the 1917 revolution affected the company so much so that they had to restructure the extravagant administration style and costly organisations to a manageable size. Before 1919 the Russian market had been their most important single outlet outside the home trade. The British agency houses with interests in the rubber and tin industries were all directly affected by: the Stevenson Scheme in 1922, which worked unfairly against the Malayan rubber industry; the world depression in the late 1920s and the subsequent rubber price decline and the Slump in 1932; and the Second World War. And Harrisons & Crosfield was not an exception. As the fortunes of the industry depended almost entirely on the external forces, over which the agency houses were not in control, those in charge of the estates in the Harrisons & Crosfield Agency Group also had to learn how to adapt. In times of difficulties, some estates were being rested; the labour forces of both European managers and Asian labourers alike were reduced; the output of rubber was minimised; at the extreme, cultivation work was reduced to a maintenance basis and capital expenditure curtailed.¹⁷ Particularly after the end of the Second World War, while it was not yet possible to work on rehabilitation and restoration of the estates and mines, Harrisons & Crosfield concentrated on developing trading activities instead.¹⁸ In Indonesia Harrisons & Crosfield struggled on until 1952, trying to make a go of their interests in tea, but costs and funding made it almost impossible. The directors in the end decided to abandon the business, and so handed over the properties to the Indonesian

¹⁶ Pugh, *op.cit.*, p. 76.

¹⁷ *ibid.*, p. 106. For more details on the dramatically fluctuating and changing fortunes of the industry in the 1920s, read the description written by Eric Miller, the Chairman of Harrisons & Crosfield, in Pugh, *op.cit.*, p. 99.

¹⁸ *ibid.*, p. 137.

government who undertook responsibility for the labour force, while European staff were transferred to rubber estates.¹⁹

The efforts made by the British firms to localise management are also evidence of their willingness and readiness satisfy Asian aspirations. Mira Wilkins points out that the British enterprises imposed familiarity by: dispatching their men abroad, UK incorporation, sending their methods and products abroad, and requesting treaties that helped assure their property rights.²⁰ However, the British were becoming more prepared to adapt to the new situation and the only way left for them was to adopt localisation.

Indeed, localisation was widely chosen by the British enterprises as a means to survive as, on the one hand the native governments put them under pressure, while, on the other, such a strategy was made possible due to the greater availability of educated Asian staff. Attlee himself supported the localisation of management. He did so on the basis that Western capital and technique could play its part in raising the standard of life in the less developed parts of the world:

I think, wherever European or Western enterprises are operating, an endeavour should be made to bring the local people into co-operation so that the enterprise, instead of being that of an alien power, is accepted as belonging in part to the country concerned. Recently in Burma I talked with British businessmen who had grasped the necessity for this and had brought in Burmese directors and were training young Burmese to take their part in management and in

¹⁹ *ibid.*, p. 144.

²⁰ M. Wilkins, 'The History of European Multinationals: A New Look', *The Journal of European Economic History*, 15, 1986, pp. 497-8. According to her the British seemed to have been the least successful in adapting because domestic experience with adaptation over distance did not exist, while it

technical operation with very happy results. No doubt this is
troublesome, but it is well worth while . . .²¹

Even before the war efforts were made to replace Europeans by Asians in supervisory tasks,²² and this process started in India before anywhere else in South and South East Asia because indigenous capital in India was longer established, which had resulted in the greater availability of educated indigenous personnel.

Localisation could merely mean that some Asians were recruited to replace Europeans in a limited number of managerial posts, while top management positions, whose occupants were be in charge of formulating company policy, remained in the hands of expatriates. It could also mean opening up the highest posts to the locals, which would effectively change the nature of the foreign enterprise, from being that of an expatriate company to being a genuinely Asian company with an Asian chairman and managing director. However, reference to the localisation of management, more often than not, has meant the former rather than the latter.

In the case of Unilever's Indian subsidiary, which had already started local manufacturing by 1938, the Second World War forced a change of attitudes towards the Indianisation of management because many British managers and technical staff were absent on military service and it was impossible to replace them from home. By July 1942 the Special Committee of the company accepted localisation of management as a general principle in the recruitment for junior and senior managerial positions. As a result, in 1944 15 of the 57 senior managers were Indians.²³ After independence in 1947 this tendency was perforce strengthened as the Indian government's attitude towards the

seemed likely that it would be relatively easier for the American enterprise to deal with the heterogeneity abroad.

²¹ Attlee, *op.cit.*, p. 176.

²² Allen and Donnithorne, *op.cit.*, p. 129.

²³ Fieldhouse, *op.cit.*, pp. 191-2.

expatriate firms and the managing agencies became strict: the companies managed by British-controlled managing agencies were officially considered to be foreign-controlled, regardless of the ownership of the company.²⁴ However as far as Unilever's Indian subsidiary was concerned, it took them around twenty more years to appoint an Indian (Tandon) as the Chairman of the subsidiary, then with a board of six directors of whom only two were expatriates and with 205 managers in India of whom only 14 were Europeans.²⁵ Differently from the subsidiary in India, Unilever in Siam had problems with recruitment of Siamese management because the burdens of life for a senior manager were not avidly sought by the Siamese. Therefore Unilever were competing in a very tight market.²⁶

Localisation of management in Indonesia needs more detailed studies, as it was strongly supported by the government as a part of the work of Indonesianisation. In September 1950, the Indonesian Prime Minister delivered a Government Statement before Parliament regarding the promotion of smallholders' rubber growing; the Rubber Fund would be re-organised to benefit smallholders in production and selling, as well as in the purchasing of the necessary equipment. At the same time the existing foreign enterprises were urged to open broad and real opportunities for Indonesians 'to obtain training up to the top ranks and also to open the opportunity for Indonesian capital to participate'.²⁷ Immediately after the Statement the government announced an economic plan, the so-called RUP (The Economic Regency Plan), in order to quicken Indonesianisation. The Plan was essentially a pragmatic programme intended to promote small industry and indigenous entrepreneurship, while nationalisation was still

²⁴ M. Kidron, *Foreign Investments in India* (London, 1965), p. 5.

²⁵ Fieldhouse, *op.cit.*, Ch. 4.

²⁶ Wilson, *op.cit.*, p. 243.

²⁷ Modern Record Centre (MRC), University of Warwick, TUC MSS.292/959.2/1 T 696 1945-53 Summary of Government Statement, 21 Sept. 1950.

restricted.²⁸ Unfortunately political instability, including the inconsistency of numerous governmental economic policies, prevented more inward investment to Indonesia as well as any expansion of the existing foreign business interests. Nevertheless localisation of management proceeded, for instance, 1,350 expatriates working for the Shell Group in Indonesia in 1949 were reduced to 493 in 1959, while the Indonesian staff increased from 117 to 1475 respectively. Moreover, Indonesians were promoted to do jobs which previously had been undertaken by expatriate staff, and taken to Europe for training during their service with the Group.²⁹

A Unilever subsidiary in Indonesia started local manufacturing of soaps in October 1934 and edible fats in 1936, and the success was immediate. By 1941 Unilever was well settled in the NEI and had plans to prepare for expansion, which came to a complete halt due to the war. The subsidiary's post-war history is all about 'the reactions of the company to political instability, hyper-inflation and hostility to foreign enterprises'. The two main factories at Jakarta and Surabaya were formally handed back in March 1946 (and by the beginning of 1947 the subsidiary was back in business), and 'by 1949 sales of soap and edible fats were some three times the volume of 1940'.³⁰ Nevertheless Unilever's plan to increase total investment into the subsidiary in May 1949 seemed too ambitious because some of the most significant criteria for private investment, such as security, political stability and confidence, were lacking in Indonesia. Of course, behind the decision, profitability was a key factor, nevertheless Unilever felt 'a certain moral obligation to show confidence in ... the future [of Indonesia]'.³¹

The general attitude of Unilever's Indonesian subsidiary in the post-war period was to accept 'without question the right of successive governments, Dutch, democratic

²⁸ H. Hill, *Foreign Investment and industrialisation in Indonesia* (Oxford and New York, 1988), p. 4.

²⁹ MRC, MSS. 200 B/3/3/264A FBI Committee on Policy towards Under-Developed Countries.

and dictatorial, to set the conditions within which it had to operate'. Since Unilever was producing consumer goods that would easily be replaced by other sources (for instance, local producers and American competitors like Procter & Gamble) and contributed little to the country's exports, the company did not have much bargaining power against the Indonesian government, therefore it was entirely depended on its goodwill.³² Therefore, it is not surprising that Unilever responded quickly to the government's pressure for localisation of management. In fact, as soon as the factories were handed over in 1946 the new senior managers accepted the need for recruitment of able young Indonesians. However, the process was much slower than in India and Ceylon mainly because of obstacles unique to Indonesia: firstly, an official policy of training and promoting the locals for the higher level of civil service did not exist in pre-war Indonesia. Secondly, the culture was not business-orientated. Moreover universities were less developed, so that there were less educated men available than otherwise there might have been. Despite this, the first intake of local management trainees in 1950, were immediately sent to the Netherlands for training for a long period. The Headquarters of Unilever in London were also encouraged to replace expatriate managers who were expensive for the company. However, progress was slow; by the later 1950s there were only two Indonesians on the boards of the local companies, though there were five Indonesian senior managers and 53 junior managers. Nevertheless their relatively early endeavour to train and promote local Indonesians was paid back later during the periods of anti-Dutch policy in 1957 and of the Confrontation with Malaya which began in 1963, while both Dutch and British were forced to leave their jobs and the country. Therefore, it was no exaggeration when a visiting director attributed the survival of the business in Indonesia

³⁰ Fieldhouse, *op.cit.*, pp. 282, 288.

³¹ *ibid.*, p. 284.

under extreme duress to the great number of competent Indonesians (thus to the company's early endeavour to recruit the Indonesians).³³

In the case of Malaya the first economic plan initiated by the Federation of Malaya, a Draft Development Plan published in June 1950, mainly dealt with the development of social services, national resources and utilities, and trade and industry.³⁴ There was hardly any systematic promotion of localisation by the Federation government, as there was in Indonesia. Instead things were left entirely up to the firms. Nevertheless the agency houses' involvement in the extractive industries helped them step further towards localisation of management and diversification of business interests. Since the houses had responsibility to appoint competent men to the management of individual estates, the losses of European managers and assistants during the war were the gravest among the war damages. In fact, even before the war there was a tendency to replace Europeans by Asians in supervisory tasks, and by around 1950 all the larger estate groups employed a considerable number of locally recruited staff.³⁵ By 1955 there were still plenty of European applicants for Malayan posts. Nevertheless opportunities for them on estates were contracting with the growth in the number of educated Asians, and companies also began to train Asian planters under the supervision of senior members of their staff.³⁶

Moreover, furtherance of the localisation of management was to a great extent in response to heavy criticism for incompetence. The Chinese businessmen blamed the British manufacturers for lagging behind in market research, with a tendency to ignore

³² *ibid.*, p. 313.

³³ *ibid.*, pp. 296-99.

³⁴ P.P. Courtenay, *A Geography of Trade and Development in Malaya* (London, 1972), p. 142. See the table on the expenditure of the Draft Development Plan in M. Rudner, 'The Draft Development Plan of the Federation of Malaya 1950-1955', *Journal of Southeast Asian Studies*, vol. 3, 1972, p. 67.

³⁵ Allen and Donnithorne, *op.cit.*, p. 129.

³⁶ *ibid.*, p. 129. As far as the civil service area was concerned, with independence not far ahead, British officials were replaced as quickly as possible by Malaysians. As a result, between 1947 and 1954 the number of Asians in higher administrative positions more than doubled: Woodcock, *op.cit.*, p. 241.

local conditions. They also felt that the old British agency houses, on whom the British manufacturers relied for sales, lacked energy and enterprise, and moreover 'were losing favour locally because they were reluctant to move with the times and "nationalise" their staff.'³⁷

However, the real pressures came from the British manufacturers who feared that the Malayan government would vigorously pursue a policy of economic nationalism to accelerate Malayanisation, thus divert industrial and commercial influence from foreigners to nationals. Kuala Lumpur was already fast gaining in importance and many firms who previously operated through a branch controlled from Singapore were reversing the process and transferring their headquarters to the capital of the Federation. Accordingly, most continental and Japanese businessmen were concentrating on Kuala Lumpur. The Federation of British Industries reported that it was often heard that British business visitors were still comparatively few in numbers and that insufficient attention was paid by them to this growing centre of trade. Therefore, the members of the Federation pointed out that although local firms were still very much inexperienced, it might prove more politic in the future to operate through an indigenous firm rather than through any of the British agency houses, who were already over-burdened with agencies.³⁸

However, as pointed out earlier, increasing the degree of local participation was quite different from appointing the locals at the executive and director levels. Even in India, where localisation of management started before it had in any of the Southeast Asian countries, progress in providing the locals with employment opportunities at the executive level was slow. Among the British agency houses in Malaya and Singapore,

³⁷ MRC, MSS. 200/F/3/D3/6/75 Federation of British Industries (Kipping File) D/5527 1955-6.

³⁸ *ibid.*

Sime Darby and Company, which had begun as merchants, diversifying by 1952 into rubber and tin, engineering and electricity generation, had for many years had Chinese directors on its board.³⁹ In fact it was normal for the British agency houses to work with the locals, mainly the local Chinese, for they were often middlemen, financiers, and businessmen in their own right. Such a development is not very surprising because the tin industry had first been established by the Chinese before the Europeans got in on the act. This led the Guthries, for instance, to develop a variety of joint speculative enterprises in the tin industry with Chinese and other local connections.⁴⁰

One of the major problems with the economic structure of the Southeast Asian countries was their heavy reliance on the extractive industries. These industries were directly affected by fluctuations in world market prices, and this sort of external force strongly and directly influenced the living standard of the Southeast Asians. Thus the necessity of diversifying the economy was well recognised by government and business alike. However, the immediate need for capital was an impediment to implementation of government plans to expand the manufacturing industries. British firms with extensive interests in the extractive industries also wanted to diversify the range of their business activities, mainly because of lack of confidence in the future of natural rubber in the face of competition from synthetic rubber and the grim future political prospects of the region. As a result of this awareness, a number of British companies in Malaya spread their risks, for instance, by turning over some part of rubber estates to plant oil palms, tea, and occasionally and more experimentally to cocoa.⁴¹ At the same time they widened their sphere of investments, rather than seeking other opportunities within Malaya, in

³⁹ Allen and Donnithorne, *op.cit.*, p. 57. For the relationship between Western and Asian enterprise, especially the role of the Chinese in Malaya and Indonesian, see *ibid.*, pp. 59-60, 65, and J.H. Drabble, and P.J. Drake, 'The British Agency Houses in Malaysia: Survival in a Changing World', *Journal of Southeast Asian Studies*, 12, 1981, pp. 304-06.

⁴⁰ *ibid.*, p. 305.

order to avoid the political and economic chaos ahead before and after independence. In 1950 the Guthries promoted a subsidiary company in Rhodesia, which was their first venture outside the East.⁴² William Jacks and Company (Malaya) bought shares from a Siamese-Chinese firm to establish a joint trading venture in Siam, and later in the 1960s set up a liaison office in Vietnam. Harrisons & Crosfield started this process earlier and more intensively than other agency houses, and by 1975 the geographical distribution of interests of the Company was wider than any other competitors, such as Guthries, Boustead and Harper Gilfillan.⁴³

As Drake and Drabble explain, Harrisons & Crosfield case was 'something of an exception' in terms of its structure and range of business.⁴⁴ The house started as a tea merchant in 1844, but by 1895 and 1897 made the first venture into plantations as a partner without full ownership or even majority shareholdings in return for administration, financial management and commercial expertise. Harrisons & Crosfield then started working mainly as the agents and secretaries for rubber companies (as agents and secretaries they took fees and commissions for the sale of estate crops), but also bought estates, then floated the rubber companies in public. Indeed, the style of the limited liability company suited the agency houses, for added capital and more permanent capital were vital to the rubber industry. At the same time Harrisons & Crosfield set up an Engineering Department to supply and repair machinery associated with the tea and rubber industries, in order to provide a better quality service to the estates as an agent, which helped them later represent a wide range of British and other engineering manufacturers. Even before the First World War Harrisons & Crosfield was involved in

⁴¹ Allen and Donnithorne, *op.cit.*, p. 130.

⁴² *ibid.*, p. 130.

⁴³ See the Table 4 (Geographical Distribution of Interests of Selected Agency Houses), in Drabble and Drake, *op.cit.*, p. 313.

⁴⁴ Drabble and Drake, *op.cit.*, p. 319.

manufacturing; buying sawmills to make tea chests and also tile works to export to Ceylon. Then they came to believe that chemicals were beginning to form a considerable proportion of the other supplies in the estates, and also the Second World War taught them that the business could no longer be so heavily dependent on one geographical area. Thus a chemicals business in Canada was acquired: in April 1947, Durham Chemicals (Canada) Ltd. was formed to manufacture and market chemicals in Canada. And soon after the Second World War Harrisons & Crosfield started marketing a specialised type of processed rubber, Linatex. At the same time other crops of important potential were sought out to diversify away from rubber. Oil palm development in 1948 began as the second crop, followed by cocoa after 1950.⁴⁵

Apart from Harrisons & Crosfield, Harper Gilfillan was distinguished by their involvement in manufacturing. Their business included 'local production and assembly of commercial vehicle bodies, mineral treatment equipment, and electrical engineering'.⁴⁶ Overall, by the 1960s the British agency houses not only merchandised local manufactures in place of some imports, but also made direct investment into manufacturing, which conformed to the official policy of the newly independent Asian countries to promote domestic industrialisation.⁴⁷

Despite the Malayan government's efforts to diversify the economic infrastructure by encouraging secondary industry,⁴⁸ the country's economy in the 1950s was still heavily

⁴⁵ P. Pugh, *Great Enterprise: A History of Harrisons & Crosfield* (London, 1990).

⁴⁶ Drabble and Drake, *op.cit.*, p. 319.

⁴⁷ *ibid.*, pp. 318-9.

⁴⁸ Between 1952 and 1953 the manufacturing or secondary industry made 'a surprisingly large contribution to national income-about 14 %': PRO DO 35 9863 Commonwealth Relations Office C.R.O. Ref: MAL80/1 Federation of Malaya: The Economy, UK High Commissioner for the Federation of Malaya to the Secretary of State for Commonwealth Relations, 23 June 1959.

dependent on rubber and tin. Tin accounted for 25 per cent of exports by value in 1955-56⁴⁹. Over the five years, 1950 to 1954, rubber exports were worth about 65 per cent of all Federation exports, and export duties on rubber comprised nearly 60 per cent of all revenue from export duties.⁵⁰ From the point of view of land utilisation, rubber had over 3.5 million acres of land out of a total of approximately 5.5 million acres under agricultural crops.⁵¹ Rubber still accounted for 60 per cent or more of Malaya's export earnings even in the 1960s.⁵² In Siam, 'the previously relatively balanced agrarian economy' was transforming into one in which its economy was heavily dependent on rubber production driven by the need for foreign currency. In 1946 rubber accounted for only some 10 per cent of total exports, but in 1951 rubber represented 33 per cent of the total exports of Siam, being second only to rice in export value.⁵³

European participation was also formidable in the extractive industries. For instance, in 1953, 60 per cent of Malaya's tin was produced by European-owned mining companies, while Europeans owned 83 per cent of total acreage under rubber cultivation.⁵⁴ Oil palm and coconut industries also had a similar degree of European control. Moreover, in the same year, European owned firms held between 65 and 75 per cent of the import trade.⁵⁵ Britain continued to hold her long-standing position as the

⁴⁹ MRC, MSS. 200/F/3/D3/6/75 Federation of British Industries (Kipping File) D/5528 1955-56.

⁵⁰ PRO PREM 11 873 P. Diz, 2 Aug. 1955; PREM 11 873 document by Sir D.C. MacGillivray, High Commissioner for the Federation of Malaya, Kuala Lumpur, to the Secretary of State for the Colonies, 17 May 1955.

⁵¹ *ibid.* Of which 2 million was estate rubber and 1.5 million smallholder rubber.

⁵² D.W. Fryer, *Emerging Southeast Asia; A Study in Growth and Stagnation* (London, 1970), p. 283.

⁵³ MRC, MSS.292/959.1/7 T479 International Confederation of Free Trade Unions: Asian Plantation Workers' Conference, Kuala Lumpur, from 28 Sept. to 1 Oct. 1955.

⁵⁴ Only 20 per cent of the whole Malaya was cultivated in 1956, and of this area 65 per cent was devoted to rubber: MRC, MSS. 200/F/3/D3/6/75 Federation of British Industries (Kipping File) D/5528 1955-56. Although as far as production was concerned, 30 per cent of the rubber was produced by European owned estates, 20 per cent by Asian owned estates and 50 per cent by peasant growing during the similar period between 1952 to 1954: MRC, MSS.292/959.1/5 T814 Malayan Trade Unionism 1952-54.

⁵⁵ Lee Kam Hing, 'Malaya: New State and Old Elites', in R. Jeffrey (ed.), *Asia-the Winning of Independence* (New York, 1981), p. 234.

principal supplier to Malaya. In 1955 the UK contributed 30 per cent of the Federation's total import trade, and within that figure covered 67 per cent of the Federation's total imports of capital equipment, such as machinery and transport equipment.⁵⁶ In 1962 Malaya was still 'the sixth most important recipient of British direct investment' and Britain's position as the largest single investor in the country remained throughout the 1970s.⁵⁷

However, the British long-term dominance over the Malayan economy, thanks to their interests in extensive plantation, manufacturing, trading, banking, insurance and other economic activities, hardly suggests that the British firms in Malaya enjoyed an exclusive advantage over the locals. Here it is worth taking note of the Federation and central government policy of promoting the smallholdings of the rubber industry, particularly after the Second World War, at the expense of the estate, the majority of which were owned by the British rubber companies and the managing agencies. At one point a Committee had to be set up to investigate the breaking up of estates deliberately into smallholdings, which had occurred since December 31 1954, in order that they might benefit from replanting grants paid to smallholders, which were substantially greater than those paid to estates.⁵⁸ Before independence another incentive to support the smallholders came from both the central and Federation governments. Replanting rubber trees with high-yielding stock was a matter of life or death to the Malayan rubber industry, but due to the war and the Emergency the whole process was falling far behind.

⁵⁶ The capital equipment was mainly 'power machinery, agricultural machinery, tractors other than steam, metal working machinery, other machinery (construction and mining machinery), electric machine, railway vehicles, road motor vehicles, road vehicles other than motor (cycles)': MRC, MSS. 200/F/3/D3/6/75 Federation of British Industries (Kipping File) D/5528 Imports into the Federation of Malaya, 23 Nov. 1956.

⁵⁷ Davenport-Hines and Jones, 'British Business in Asia Since 1860', p. 7.

⁵⁸ PRO DO 35 9972 L. Bevan, UK Trade Commissioner in the Federation of Malaya, Kuala Lumpur, to R.C. Wright, Commercial Relations & Exports Department, Board of Trade, 31 Dec 1957, and report by

Nevertheless, by 1955, 70 per cent of the total planted acreage of the larger European estates was replanted with high-yielding materials, while less than 8 per cent of the 1.5 million acres owned by smallholders was under high-yielding rubber, and even worse, some 50 per cent of the trees in the smallholdings were more than 30 years old (the economic life of a rubber tree is in general 30 to 35 years). In order to create a fund to support the smallholders to replant the rubber trees, the Federation government imposed a cess in 1952 on all exports of rubber produced in the Federation at the rate of 4.5 cents a pound.⁵⁹ In the case of the tin industry Chinese owned tin-mines were also given the consideration of making advances for rehabilitation purposes, though more for political reasons, as it was considered by the Treasury, the Ministry of Supply, and the CO to be discriminatory-looking to leave the rehabilitation of the Chinese tin mines to the Chinese government, while at the same time assisting European mines with advances. However, it is not certain whether the advances were actually made to them because the Departments were trying to avoid duplicating the assistance (from both the Chinese and British governments).⁶⁰ Moreover, as far as the Treasury was concerned, the advances should be used not only to rehabilitate, but also to improve the structure and efficiency of the Chinese section of the tin industry. Thus they first needed to secure some form of assurance on reform and the possibilities for some improvements in these areas. Nevertheless the Treasury were 'willing to authorise expenditure ... to help with the financing of local labour and their charges'.⁶¹

the Members of a Committee (to investigate the sub-division of estates occurred since 31 December 1954), to the Secretary to the Minister for Natural Resources, Kuala Lumpur, 1957.

⁵⁹ PRO PREM 11 873 document written by Sir D.C. MacGillivray, High Commissioner for the Federation of Malaya, Kuala Lumpur, to the Secretary of State for the Colonies, 17 May 1955.

⁶⁰ PRO T 220 134 note of a Meeting (presented by the Treasury, Ministry of Supply, and Colonial Office) held at the Treasury, 5 Mar. 1946, to discuss the rehabilitation of the Malayan tin industry.

⁶¹ PRO T 220 134 R.L.M. James, Treasury, to W.B.L. Monson, CO, 22 Feb. 1946.

Sensitivity was shown by British firms to the aspirations of the soon-to-be-independent Malaysians, instead of enjoying vested interests without making any effort to adapt to the new situation. Just before independence in Malaya (which became fully independent in 31 August 1957), the Commonwealth Relations Office raised the issue of setting up an organisation for the purposes of protecting British interests. The heads of British commercial firms objected to this suggestion. Hussey, the President of the Federated Malay States Chamber of Commerce, and Director and Local Manager of Harper Gilfillan & Co. Ltd. argued that:

To set up an organisation now would tend to destroy mutual trust and good will which characterised relations between the British commercial community and Malayan authorities.⁶²

Tory, the Permanent Under Secretary of the Office of the High Commissioner for the UK, Kuala Lumpur, also considered that 'any form of British "ganging up" in Malaya itself or any appearance of dictation from London' would do more harm than good, especially immediately after independence. He felt that the maintenance of the British commercial position in Malaya:

depends entirely on the continuance of the present excellent relationship between the main commercial interests and the Malayan authorities, and that for the British interests to draw together now in a defensive manner would be likely to damage the atmosphere of mutual trust.⁶³

When the UK's share of Malaya's import trade fell (from 48 per cent in 1958 to 42 per cent in 1959), the UK Trade Commissioner in charge of Malaya and Singapore,

⁶² PRO DO 35 9900 letter from G.W. Tory, Office of the High Commissioner for the UK, Kuala Lumpur, to Sir Gilbert Laithwaite, Commonwealth Relations Office, 6 Nov. 1957.

H.W. Woodruff, warned the British manufacturers that the time when British business interests could rely upon built-in sympathy in Malaya to ensure a market for their goods had gone, thus advised to review the attitudes and methods of the past, and to re-examine the market and consumers very carefully if they were to recover.⁶⁴

Nevertheless the confidence within the British business community in Malaya stayed on because of their contribution to the Malayan economy. The position of British interests was after all,

unique in that they are regarded by the Malayan authorities as an integral part of the Malayan economy and they enjoy, for this reason, direct access to the Ministers concerned and equality of treatment.⁶⁵

Estates, after all, paid all housing, medical and general health expenses of the labourers, and births and deaths were also covered by estate grants. As J.M. Baber (Chairman and Managing Director of Alor Pongsu Amalgamated Estates) pointed out, if estates would have to shut down, that would lead to a general discontent among labourers, which might destabilise the country even further. Therefore he urged that labour should be prepared to take the ups and downs of the economy through a reduction in wages if necessary. Baber confidently concluded that the mass of labour was already conscious of this fact, thus would 'infinitely prefer to swim' with the rubber industry to revive the industry rather than to sink with it.⁶⁶

⁶³ *ibid.*

⁶⁴ PRO DO 35 9863 draft of an open letter from H.W. Woodruff, UK Trade Commissioner in Charge in Malaya and in Singapore, 'To All Exporters to Malaya' was sent by T. Sharp, Board of Trade, to V.E. Davies, Commonwealth Relations Office, 15 June 1960.

⁶⁵ PRO DO 35 9900 letter from G.W. Tory, to D.W.S. Hunt, Commonwealth Relations Office, 27 Aug. 1959.

⁶⁶ *The Financial Times*, 16 Aug. 1949.

British business interests in post-war SEA on the one hand actively sought cooperation and assistance from the relevant governments, but, on the other, pursued their own strategy for survival, often in the absence of assistance from the central governments. They needed flexibility to continue their business, thus they pursued the localisation of management. They also diversified the range of business operations and widened the sphere of investment. Underlying these efforts was a belief that their contribution to the region's economy would also help get them through the post-war difficulties. In spite of the efforts made by the Southeast Asian governments to diversify their economies away from concentration on the extractive industries, the significance of these industries in the Southeast Asian economies remained throughout 1950s and 1960s and even beyond, and so did the foreign influence in these economies. British firms had the relative advantage of being the traditional commercial power in the region, but nevertheless much depended on the goodwill of the newly independent countries.

Conclusion

It is concluded that there existed both unity and conflict between the British government and British businesses in SEA. Whilst both sectors needed to ensure the reconstruction of British businesses, the government also shouldered the burden of many other responsibilities, both at home and abroad. Therefore it faced a situation of having to position the interests of British businesses within a wider framework, including that of ensuring the existence of an acceptable level of social welfare and of the presence of the institutions of civil society in the colonies. The problem with this strategy became apparent when the emphasis on social rehabilitation in Malaya, intended as a complementary aspect to the reconstruction work of Malaya, in effect brought with it adverse effects on the governing process. While the British authorities continued to pursue a strategy for socio-economic regeneration, the first few months of the British Military Administration in Malaya saw policies that sought to ensure the norms of liberal and democratic freedoms, such as the right of association, freedom of speech and the press, and the right of workers to combine in effective trade union activities. These policies were then largely abandoned in the face of the emergence of hostility to British colonial rule, which was increasingly voiced through these mediums. Such challenges to the state's authority were perceived to jeopardise the possibilities of a strong and long-term reconstruction of British economic operations in the country.

The conflict of interests between British enterprises in Malaya and the British political authorities manifested itself in the ideological arena in businesses' emphasis on the need for a more *laissez-faire* approach to managerial prerogatives. Meanwhile they pressurised government for economic assistance for the rehabilitation of their business interests in Malaya and for a more robust coercive state response to labour protest and the activities of the MCP and its affiliates.

Under the Conservatives, after 1951, Oliver Lyttelton was to meet the requirements of safeguarding British investments by applying a vigorous approach to the counter-insurgency campaign. Such actions assured business of the government's determination to continue their fight for Malaya. Yet again the conflict of interests between government and business under the Conservatives began to dominate their relationship, as high taxation, inadequate security and the government's pragmatic approach to the colony's political future became the centre of attention.

My findings suggest that the relationship between government and business in Malaya was hindered by the British governments' determination to succeed in Malaya, which tended towards ignoring businesses' needs. In fact business was afraid that the Malayan Union constitution would destroy the traditional cohesive relationship with the Malays. Yet, when it was replaced in 1948 by the federal constitution, the latter served to perpetuate Malay supremacy and thus created political instability, because of the Chinese' feeling of a sense of betrayal. To some extent the creation of the Federation of Malaya also retarded economic development, which could have been achieved through the incorporation of the productive capacity of all sectors, which would have been aided by a democratically inclusive agenda in the fields of social and economic policy. Additionally, the overall strategy of retaining the pre-war economic structure of Malaya was not achieved to the extent which business had expected due to the lack of material assistance from the metropolitan and colonial governments.

The post-war crisis in Malaya opened up the division between the political authorities in the metropolis and the periphery. The metropolitan government tended to emphasise the need for a greater level of state intervention in the direction of economic affairs. They provided an Economic Adviser, whose work deterred further intervention from private business interests in the shaping of economic policy. However, the division

between them manifested itself overtly in the social and political arenas. Such differences were exemplified in the assessments made about the type of responses required to deal with the Emergency and the issues related to democratic and political developments. Whilst there had been an ideological hesitance within the metropolitan government to resort to firm action to resist militant organised labour and to proscribe the Communist Party, once the counter-insurgency campaign was under way, the old-fashioned liberalism which prevailed among the officials of the colonial administration became an obstacle to taking firmer measures necessary to defeat the insurrection.

Putting aside any doubts about the Attlee government's overall desire for Britain to remain a major world power, they certainly wished her to be one in SEA. The strong presence of British business interests in the region was significant to the British political authorities on three different counts: in relation to the remittance of profits, dollar earnings, and the maintenance of British influence in the region. However, the strategic goal of maintaining pre-war hegemony in SEA appeared to interfere with the need to ensure the future of British investments. The government's strategic approach was first to obtain cooperation from the governments of the independent ex-colonies — or the soon-to-be-independent colonies — and the USA. However, this contributed to lessening the possibility for flexibility in Britain's decision making on the questions relating to her own economic interests. Overall it is fair to say that Britain endeavoured to deter the Communist advance through a strategy of economic development in the region, which, in turn, would have contributed to ensuring a stable basis for the continuation of the successful operation of British businesses.

The British government's ability to deal with the post-war problems that British enterprises faced in other Southeast Asian countries was more limited. The political status of Siam as a sovereign nation, which had been a hindrance to a further expansion

of British business interests during the pre-war period, continued to be a concern for business. Indonesia's political relations with The Netherlands, and its eventual independence, limited the British government's scope to directly intervene in the country's political development. Such intervention might, in turn, have served to assist in the protection of British companies in that country. Moreover, the drive to export to the hard currency areas to a great extent entailed ignoring the needs of other countries, among them the Southeast Asian countries which needed manufactured goods from Britain for their rehabilitation, but could not pay in dollars. It is no exaggeration to say that Britain's eventual failure to recover her traditional position in some areas in SEA can, to a large extent, be attributed to her inability to provide manufactured goods for them, and to the desperation of Britain's own financial position.

What then has been gained by not only looking simply at the interactions between the British political authorities and British business interests in Malaya, but also by examining their interactions in Siam and Indonesia? By examining government/business interactions in the countries outside the colonial context, we can discern both similarity and dissimilarity in the nature of their relationships and in the difficulties that faced British firms in each of these countries. In Malaya the main impediments to their business operations were the political instability of the country, and the lack of material assistance from the governments. In Indonesia, British firms were to endure unprecedented problems of political instability and general insecurity, whilst in Siam there was increasing foreign competition and local pressure. Hostile attitudes and discrimination against foreign business interests were present throughout the region and, worse still from the business point of view, this sentiment was often used by the Communists in order to cement their relations with other nationalist forces. Siam and Indonesia were determined to govern their own affairs, independently of any

foreign interference, hence they resented any foreign intervention to their domestic affairs.

The examination of the relationship between government and business against the background of these variations in the situations, experienced by British businesses in Siam and Indonesia, points towards the conclusion that these adversities in fact did not affect the process and degree of cooperation between the British government, its representatives and British enterprises. To a large extent these sectors experienced an atmosphere of close cooperation and unity while reconstructing and pursuing British interests. Another important factor in their interactions in these countries was British companies' flexibility and their ability to survive in adverse circumstances. They negotiated with every possible quarter if and when it was necessary (including Vietnamese Communists), even in conditions in which there was an absence of any systematic protection for foreign nationals and businesses.

Contrary to what might have been expected, the relationship between government and business in Malaya was not as straightforward as it was in Siam and Indonesia. British companies' confidence about their contribution to the metropolitan government's dollar needs and in their role as a provider of employment and revenue for the Malayan government made them more assertive and forthcoming with requests and demands, while the British political authorities in Malaya were preoccupied by their governing responsibilities. In these circumstances, their interests were often incompatible and clashed. As distinct from this, the British government and its representatives and British firms in Siam and Indonesia understood their limits as foreign nationals, and thus they worked closely together to maintain British interests. The level of active communication and cooperation between them, in these countries, should be taken as a good example of the cooperative nature of their relationship.

British firms constituted a vital British interest, therefore the London government felt obliged to protect and maintain them. However, as far as the firms were concerned, they had the option to pack up and leave if the business environment was no longer suitable for their purposes, but if they did cut and run, this would damage Britain's general political and economic influence in the region. US policymakers, well aware of this factor, were happy to see British firms withdraw and were correspondingly irritated by the continued strong presence of British firms in Siam. As in Europe, Britain worked to obtain US cooperation in SEA in order to lessen her heavy responsibilities. However, conflicting views between the two governments on the resumption of European colonial rule in the region, and on Siamese matters, often produced results that the British government found unsatisfactory. The *laissez-faire* attitude of the US administration towards SEA was another impediment. In retrospect, Britain was pursuing incompatible strategies in relation to the US role in post-war SEA. The British government hoped, on the one hand, that the USA would assist Britain in implementing her post-war plans for the region by providing the Southeast Asian countries with loans and aid that Britain could not afford, and on the other hand, they hoped to keep legitimate US commercial competition at bay.

Although some British firms chose to leave the region, most stayed. What made them stay on? Why did more British firms not sell up or go elsewhere? They stayed not because they were convinced by the degree of assistance and protection given by the home country, but because they were confident that the Southeast Asian countries would continue to need foreign capital and businesses. Moreover, they believed in their own ability to get through the post-war difficulties, in the same way that they had weathered other storms throughout their histories.

It could be suggested that firms had to draw on their own resources but that the British government did all it could to assist British firms in SEA for the latter to continue to be able to stay, in practice though, this support was insufficient. Chapters 3 to 6 examined this hypothesis in relation to government support and the possibility that they wished to assist business to their utmost. It is clear from the evidence that, despite this being the government's intention, the reality was that the resource constraints did not fully allow them to support business to the extent that it desired. Chapters 3, 4 and 5 examined the Malayan case, and the conclusion drawn here is that not only was business not assisted sufficiently, especially regarding the provision of equipment and finance, but also both metropolitan and colonial governments were reluctant to resort to firm actions against the forces in society which were disruptive to businesses' productive capacity. The firms had to spend large amounts on the counter-insurgency campaign without ever gaining any real sense of security.

Similarly, as it has already been acknowledged, the problems facing British business interests in Indonesia — the continued instability and the physical danger directed to the British business personnel, and uncertainty about the future of the country — were not matters that could be easily resolved by diplomatic representation. Meanwhile, in post-war Siam the British faced the challenge of increasing American interest, and this made the restoration of Britain's pre-war dominance in the country difficult. This difficulty was, in turn, exacerbated by Siamese enthusiasm to work with the Americans. While the British business interests in Siam enjoyed close communication with the diplomats and the British FO, the intensification of local competition from American commercial interests was a problem that the British firms had to deal with alone. They could only do this by maintaining the reputation of British products. Britain's inability to supply the required goods for Siam's rehabilitation work

was, however, an obvious hindrance to restoration of the prestige of British firms. Meanwhile, some of the British firms which had first tried to restore their businesses immediately after the end of the war in Indonesia, eventually gave up their operations. Yet most of the firms in that country stayed, however they had much less confidence in their future prospects.

It is clear that assistance from the British government was not sufficient to protect business interests, and, business was often left alone to deal with the problems. On the other hand, for businesses used to struggling for survival, by seeking out opportunities to expand profits, it was not an entirely new situation. The British firms pursued local management, encouraged by the British officials including Attlee, and diversification of the lines and location of their business. They invested beyond SEA, for example, in Canada, the USA, and Rhodesia, and often in completely new fields. At the same time the firms endeavoured to maintain their traditional relations with the Southeast Asian countries, which were believed to be based on mutual trust, by showing respect towards the newly independent countries and their efforts to govern themselves.

British business was also confident about its continued role as the mainstay of the Southeast Asian economies in the post-war period and that this would present future opportunities. Therefore, while firms were cautious about new investments, advances were made in rehabilitating their businesses. Indeed, some of them invested out of a certain sense of moral obligation to show confidence in the future of the countries. Meanwhile, as long as the Southeast Asian countries relied on the income from exporting raw materials, in which British firms were deeply involved, then these firms had bargaining power. Rubber growing in particular needed a substantial amount of fixed capital which most of the indigenous firms could not yet supply. In addition, the

newly independent governments needed cash to implement their ambitious projects and policies.

Business had very limited ability to influence the policy making of the governments. Nevertheless, firms had the advantage of being able to bargain directly with the local people, which it was not possible to do through the medium of the British government. For instance, whilst there was no direct communication between the British government and the Indochinese Communists, the manager of the Hongkong and Shanghai Bank directly negotiated with Ho Chi Minh to re-establish the business.¹

The series of incidents in Asia, such as the Malayan Emergency, the Communist take-over of China, and the Korean War, largely influenced British Southeast Asian policy. In the context of the emerging Cold War, ideology became the primary issue, with SEA becoming more significant in the conflict with Communism. British Southeast Asian policy objectives were accordingly moving from protecting their own specific interests and subjects, and fostering good relationships with countries in the region, to fighting Communism. The threat to business interests from Communism was more serious than ever in the mid-1950s as the war in Vietnam escalated. Also, by this time, any hope that the nationalist Asian countries would stabilise their domestic politics and economy was fading away. In front of the grand strategy of fighting Communism, the specific interests of business were not highlighted as strongly as before. Nevertheless, firms stayed, and some expanded their interests to become truly modern multinationals. These achievements were attained by firms building on the survival tactics of earlier periods. In a situation in which the business environment grew ever harsher, companies developed their own long-term strategies, working closely with civil servants and politicians based in Britain and Asia. As a result of such

¹ PRO FO 371 63554 F3521/3521/61 Special Commissioner, Singapore, to Batavia, 12 Mar. 1947.

entrepreneurial pragmatism, the British presence in the region, albeit on a reduced scale, continued against all the odds.

BIBLIOGRAPHY

BOOKS

Aldrich, R.J., *The Key to the South: Britain, the United States, and Thailand during the Approach of the Pacific War, 1929-1942* (Kuala Lumpur, Oxford, Singapore, New York, 1993).

Allen, G.C., and Donnithorne, A.G., *Western Enterprise in Indonesia and Malaya; A Study in Economic Development* (London, 1954).

Anstey, V., *The Economic Development of India* (London, New York, Toronto, 1929).

Attlee, C.R., *As It Happened* (Melbourne, London, Toronto, 1954).

Avon, Earl of (Sir A. Eden), *Full Circle* (London, 1965).

Barker, E., *The British between the Superpowers 1945-50* (London, Basingstoke, 1983).

Bemis, S.F., *A Diplomatic History of the United States* (London, Toronto, 1936).

Blum, R.M., *Drawing the Line The Origin of the American Containment Policy in East Asia* (New York, London, 1982).

Boyd, G., *Pacific Trade, Investment and Politics* (London, New York, 1989).

Brown, I., *Economic Change in South-East Asia* (Kuala Lumpur, 1997).

Brooke, S. (ed.), *Reform and Reconstruction: Britain after the War 1945-51* (Manchester, New York, 1995).

Bullock, A., *Ernest Bevin: Foreign Secretary 1945-1951* (Oxford, 1985).

Cage, R.A. (ed.), *The Scots Abroad* (London, 1985).

Cain, P.J., and Hopkins, A.G. (eds.), *British Imperialism; Crisis and Deconstruction 1914-1990* (London, New York, 1993).

Carlton, D., *Anthony Eden — A Biography* (London, 1981).

Casson, M., *Multinationals and World Trade* (London, 1986).

Casson, M., *The Growth of International Business* (London, 1983).

Chapman, S., *Merchant Enterprise in Britain; From the Industrial Revolution to World War I* (Cambridge, 1992).

Cho, G., *The Malaysian Economy* (London, New York, 1990).

Christie, C.J., *A Modern History of Southeast Asia: decolonization, nationalism and separatism* (London, New York, 1996).

Corley, T.A.B., *A History of the Burmah Oil Company 1886-1924* (London, 1983), Vol. 1.

Courtenay, P.P., *A Geography of Trade and Development in Malaya* (London, 1972).

Cowan, C.D. (ed.), *The Economic Development of South-East Asia: Studies in Economic History and Political Economy* (London, 1964).

Darby, P., *Three Faces of Imperialism British and American Approaches to Asia and Africa 1870-1970* (New Haven, London, 1987).

Davenport-Hines, R.P.T., and Jones, G. (eds.), *British Business in Asia Since 1860* (Cambridge, 1989).

Davis, L.E., and Huttenback, R.A., *Mammon and the Pursuit of Empire ; The Economics of British Imperialism* (Cambridge, 1988).

Dennis, P., *Troubled Days of Peace: Mountbatten and South East Asia Command, 1945-46* (Manchester, 1987).

Dobson, A.P., *The Politics of the Anglo-American Economic Special Relationship 1940-1987* (New York, 1988).

Donnison, F.S.V., *British Military Administration in the Far East 1943-46* (London, 1956)

Fforde, J.S., *An International Trade in Managerial Skills* (Oxford, 1957).

Fieldhouse, D.K., *Unilever Overseas; The Anatomy of a Multinational 1895-1965* (London, Stanford, 1978).

Fifield, R.H., *Southeast Asia in United States Policy* (New York, Washington, London, 1967).

Fisk, E.K., and Osman-Rani, H. (eds.), *The Political Economy of Malaysia* (Kuala Lumpur, 1982).

Floud, R., and McCloskey, D. (eds.), *The Economic History of Britain Since 1700*, Vol. 3: 1939-1992 (Cambridge, 1995).

Freeman, R.A., *Socialism and Private Enterprise in Equatorial Asia; The Case of Malaysia and Indonesia* (Stanford, 1968).

Fryer, D.W., *Emerging Southeast Asia; A Study in Growth and Stagnation* (London, 1970).

Gilpin, R., *United States Power and the Multinational Corporation; the Political Economy of Foreign Direct Investment* (London, Basingstoke, 1975).

Gordon, M., *Conflict and Consensus in Labour's Foreign Policy* (Stanford, 1969).

Gorst, A., Johnman, L., and Lucas, W.S. (eds.), *Contemporary British History 1931-1961: Politics and the Limits of Policy* (London, 1991).

Hall, D.G.E., *A History of South-East Asia* (London, 1964).

Harper, T.N., *The End of Empire and the Making of Malaya* (Cambridge, 1999).

Harris, K., *Attlee* (London, 1982).

Hill, H., *Foreign Investment and Industrialisation in Indonesia* (Singapore, Oxford, New York, 1988).

The International Bank for Reconstruction and Development, *The Economic Development of Malaya* (Baltimore, 1955).

Jeffrey, R. (ed.), *Asia — the Winning of Independence, the Philippines, India, Indonesia, Vietnam, Malaya* (New York, 1981).

Jomo, K.S., *Growth and Structural Change in the Malaysian Economy* (London, 1990).

Jones, C.A., *International Business in the Nineteenth Century: the Rise and Fall of a Cosmopolitan Bourgeoisie* (Brighton, 1987).

Jones, C.A., *E.H. Carr and International Relations: A Duty to Lie* (Cambridge, 1998).

Jones, G. (eds.), *British Multinationals: Origins, Management and Performance* (Aldershot: Gower, 1986).

Kennedy, J., *A History of Malaya A.D. 1400-1959* (London, New York, 1962).

Kidron, M., *Foreign Investments in India* (London, 1965).

Kindleberger, C.P., *American Business Abroad* (New Haven, London, 1969).

King, F.H.H., *Volume IV of the History of the Hongkong and Shanghai Banking Corporation: The Hongkong Bank in the Period of Development and Nationalism, 1941-1984 From Regional Bank to Multinational Group* (Cambridge, New York, Port Chester, Melbourne, Sydney, 1991).

Kirby, M.W., and Mary, B.R., *Business Enterprise in Modern Britain: From the Eighteenth to the Twentieth Century* (London, New York, 1994).

Kratoska, P., *The Japanese Occupation of Malaya: A Social and Economic History* (St Leonards, 1998).

Latourette, K.S., *The American Record in the Far East, 1945-1951* (New York, 1952).

Lim, C., *Economic Development of Modern Malaya* (Kuala Lumpur, London, New York, Melbourne, 1967).

Lim, D. (ed.), *Readings on Malaysian Economic Development* (Kuala Lumpur, 1975).

Longhurst, H., *The Borneo Story: the History of the First 100 Years of Trading in the Far East* (London, 1956).

Louis, Wm.R., *Imperialism at Bay: The United States and the Decolonization of the British Empire 1941-1945* (New York, 1978).

Magdoff, H., *The Age of Imperialism; The Economics of US Foreign Policy* (New York, London, 1969).

McCoy, A. (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980).

McMahon, R.J., *Colonialism and Cold War; the United States and the Struggle for Indonesian Independence, 1945-49* (Ithaca, London, 1981).

McMillan, J., *The Dunlop Story: the Life, Death and Re-birth of a Multi-national* (London, 1989).

McT. Kahin, G., *Nationalism and Revolution in Indonesia* (Ithaca, 1952).

Morgan, D.J., *The Origins of British Aid Policy 1924-1945, Official History of Colonial Development, Vol. 1* (London, 1980).

Morgan, D.J., *Developing British Colonial Resources 1945-1951, The Official History of Colonial Development, Vol. 2* (London, 1980).

Morgan, D.J., *Changes in British Aid Policy 1951-1970, The Official History of Colonial Development, Vol. 4* (London, 1980).

Morgan, D.J., *Guidance Towards Self-Government in British Colonies 1941-1971, The Official History of Colonial Development, Vol. 5* (London, 1980).

Munro, D.G., *Intervention and Dollar Diplomacy in the Caribbean 1900-1921* (Princeton, 1964).

Nakagawa, K. (ed.), *Government and Business, Proceedings of the fifth Fuji Conference, The International Conference on Business History 5* (Tokyo, 1980).

Naval Intelligence Division, *Geographical Handbook Series: Indo-China* (1943).

- Ovendale, R. (ed.), *The Foreign Policies of the British Labour Governments, 1945-51* (Leicester, 1984).
- Pluvier, J., *South-East Asia from Colonialism to Independence* (Kuala Lumpur, London, New York, Melbourne, 1974).
- Pugh, P. et al., *Great Enterprise: A History of Harrisons & Crosfield* (London, 1990).
- Puthuchear, J.J., *Ownership and Control in the Malayan Economy; a study of the structure of ownership and control and its effects on the development of secondary industries and economic growth in Malaya and Singapore* (Singapore, 1960).
- Remme, T., *Britain and Regional Cooperation in South-East Asia, 1945-49* (London, New York, 1995).
- Ricklefs, M.C., *A History of Modern Indonesia: c. 1300 to the Present* (London, 1981).
- Rimmer, P.J., and Allen, L.M. (eds.), *The Underside of Malayan History* (Singapore, 1990).
- Robertson, J.O., *America's Business* (New York, 1985).
- Rotter, A.J., *The Path to Vietnam: Origins of the American Commitment to SEA* (Ithaca and London, 1987).
- Rungta, R.S., *The Rise of Business Corporations in India 1851-1900* (Cambridge, 1970).
- Ryan, N.J., *The Making of Modern Malaysia and Singapore; A History from Earliest Times to 1966* (Kuala Lumpur, Singapore, 1969).
- Short, A., *The Communist Insurrection in Malaya 1948-1960* (London, 1975).
- Shuckburgh, E., *Descent to Suez Diaries 1951-56* (London, 1986).
- Silcock, T.H., *The Commonwealth Economy in Southeast Asia* (Durham, London, 1959).
- Singh, A.I., *The Limits of British Influence; South Asia and the Anglo-American Relationship 1947-56* (London, New York, 1993).
- Stenson, M.R., *Industrial Conflict in Malaya: Prelude to the Communist Revolt of 1948* (London, New York, Kuala Lumpur, 1970).
- Stockwell, A.J. and Smith, R.B. (eds.), *British Policy and the Transfer of Power in Asia: Documentary Perspectives* (London, 1985).

Stockwell, A.J. (ed.), *British Documents on the End of Empire*, Malaya, Part I: The Malayan Union Experiment 1942-1948 (London, 1995).

Stockwell, A.J. (ed.), *British Documents on the End of Empire*, Malaya, Part II: The Communist Insurrection 1948-1953 (London, 1995).

Stockwell, A.J. (ed.), *British Documents on the End of Empire*, Malaya, Part III: The Alliance Route to Independence, 1953-1957 (London, 1995).

Stowe, J.A., *Siam Becomes Thailand: A Story of Intrigue* (London, 1991).

Stubbs, R., *Hearts and Minds in Guerrilla Warfare: The Malayan Emergency 1948-1960* (Singapore, Oxford, New York, 1989).

Tarling, N., *Britain, Southeast Asia and the Onset of the Cold War, 1945-1950* (Cambridge, 1998).

Tarling, N. (ed.), *The Cambridge History of Southeast*, vol. 3: From c. 1800 to the 1930s (Cambridge, 1999).

Tarling, N. (ed.), *The Cambridge History of Southeast Asia*, vol. 4: from World War II to the Present (Cambridge, 1999).

Tiratsoo, N. (ed.), *The Attlee Years* (London, New York, 1991).

White, N.J., *Business, Government and the End of Empire: Malaya, 1942-1957* (Oxford, 1996).

Wilkins, M., *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, Massachusetts, 1974).

Wilkins, M., *The Emergence of Multinational Enterprise: American Business Abroad from the Colonial Era to 1914* (Cambridge, Massachusetts, 1970).

Williams, F., *A Prime Minister Remembers: The War and Post-war Memoirs of the Rt. Hon. Earl Attlee* (London, Melbourne, Toronto, 1961).

Williams, P.M. (ed.), *The Diary of Hugh Gaitskell 1945-1956* (London, 1983).

Wilson, C., *Unilever 1945-1965 Challenge and Response in the Post-War Industrial Revolution* (London, 1968).

Wong, J., *Asean Economics in Perspective; A Comparative Study of Indonesia, Malaysia, the Philippines, Singapore and Thailand* (London, Basingstoke, 1979).

Woodcock, G., *The British in the Far East* (London, 1969).

Yonekawa, S., and Yoshihara, H. (eds.), *Business History of General Trading Companies ; The International Conference Business History 13 Proceedings of the Fuji Conference* (Tokyo, 1987).

JOURNAL ARTICLES AND CHAPTERS IN EDITED BOOKS

Akashi, Y., 'The Japanese Occupation of Malaya: Interruption or Transformation?', in McCoy, A. (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), pp. 65-90.

Armstrong, J., 'An Introduction to Archival Research in Business History', *Business History*, Vol. 33, No. 1, 1991.

Batson, B.A., 'Siam and Japan: the Perils of Independence', in McCoy, A. (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), pp. 267-302.

Caldwell, M., 'From "Emergency" to "Independence", 1948-57', in M. Amin and Caldwell, M. (eds.), *Malaya: The Making of A Neo-Colony* (Nottingham, 1977), pp. 217-249.

Caldwell, J.A.M., 'Indonesian Export and Production from the Decline of the Culture System to the First World War', in Cowan, C.D. (ed.), *The Economic Development of South-East Asia: Studies in Economic History and Political Economy* (London, 1964).

Catterall, P. (ed.), 'The East of Suez Decision', *Contemporary Record (The Journal of Contemporary British History)*, Vol. 7, No. 3, Summer 1993.

Chandler, A.D., 'The Growth of the Transitional Industrial Firm in the United States and the United Kingdom: A Comparative Analysis', *Economic History Review*, Second Series, Vol. 33, 1980.

Cheah, B., 'The Social Impact of the Japanese Occupation of Malaya (1942-1945)', McCoy, A. (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), pp. 91-124.

Cheong, Y.M., 'The Political Structures of the Independent States', in Tarling, N. (ed.), *The Cambridge History of Southeast Asia*, vol. 4: from World War II to the Present (Cambridge, 1999), pp. 59-137.

Christopher, T., 'After the European: American Designs for the Remaking of Southeast Asia', *Diplomatic History*, Vol. 12, No. 2, Spring 1988.

Coleman, D.C., 'Failings and Achievements ; Some British Business 1910-1980', *Business History* Vol. 29, No. 4, 1987, pp. 1-17.

Corley, T.A.B., 'Strategic Factors in the Growth of a Multinational Enterprise ; The Burmah Oil Company, 1886-1928', in Casson, M. (ed.), *The Growth of International Business* (London, 1983), pp. 214-235.

Corley, T.A.B., 'Britain's Overseas Investments in 1914 Revisited', *Business History*, Vol. 36, No. 1, Jan. 1994, pp. 71-88.

Darwin, J., 'British Decolonization since 195: A Pattern or a Puzzle?', *The Journal of Imperial and Commonwealth History*, Vol. Xii, No. 2, Jan. 1984, pp. 187-209.297-328.

Davenport-Hines, R.P.T., and Jones, G., 'British Business in Asia Since 1860', in Davenport-Hines, R.P.T., and Jones, G. (eds.), *British Business in Asia Since 1860* (Cambridge, 1989), pp. 1-30.

Dobson, A.P., 'Labour or Conservative: Does it Matter in Anglo-American Relations?', *Journal of Contemporary History*, Vol. 25, No.4, 1990, pp. 387-407.

Drabble, J.H., and Drake, P.J., 'The British Agency Houses in Malaysia: Survival in a Changing World', *Journal of Southeast Asian Studies*, 12, 1981, pp. 297-328.

Drabble, J., 'Politics of Survival: European Reactions in Malaya to Rubber Smallholders in the Inter-war Years', in Rimmer, P.J., and Allen, L.M. (eds.), *The Underside of Malayan History* (Singapore, 1990), pp. 50-71.

Drake, P.J., 'The Economic Development of British Malaya to 1914', *Journal of Southeast Asian Studies*, 10 (1979).

Dunning, J., 'Changes in the Level and Structure of International Production: the Last One Hundred Years', in Casson, M. (ed.), *The Growth of International Business* (London, 1983), pp. 84-139.

Elson, R.E., "International Commerce, the State and Society: Economic and Social Change", in Tarling, N. (ed.), *The Cambridge History of Southeast*, vol. 3: From c. 1800 to the 1930s (Cambridge, 1999), pp. 127-191

Falkus, M., 'Early British Business in Thailand', in Davenport-Hines, R.P.T., and Jones, G. (eds.), *British Business in Asia Since 1860* (Cambridge, 1989), pp. 117-156.

Fieldhouse, D.K., 'The Labour Governments and the Empire-Commonwealth, 1945-51', in Ovendale, R. (ed.), *The Foreign Policies of the British Labour Governments, 1945-51* (Leicester, 1984), pp. 83-120.

Foltos, L.J., 'The New Pacific Barrier: America's Search for Security in the Pacific, 1945-47', *Diplomatic History*, Vol. 13, No. 3, Summer 1989, pp. 317-342.

Gardner, R.N., 'Sterling-Dollar Diplomacy in Current Perspective', *International Affairs* 1985-86 62 (1): 21-33.

Gerlof, D.H., 'The United States and the Netherlands East Indies: the Evolution of American Anticolonialism', *Pacific Historical Review*, Vol. 53, 1984.

Gerlof, D.H., 'The Netherlands, the United States and the Indonesian Question 1948', *Journal of Contemporary History*, Vol. 25, No. 1, 1990, pp. 123-141.

Gidley, A.G., 'The Managing Agency System in India', *The Secretary*, Vol. LI, No 7 (July 1954), pp. 292-298.

Gillespie, J.L.Jr., 'Rhetoric and Reality: Corporate America's Perceptions of Southeast Asia, 1950-1961', *Business History Review*, Vol. 68, No. 3, Autumn 1994, pp. 325-363.

Gorst, A., 'Facing Facts? The Labour Government and Defence Policy 1945-50', in Tiratsoo, N. (ed.), *The Attlee Years* (London and New York, 1991), pp. 190-209.

Gourvish, T.R., 'British Business and the Transition to a Corporate Economy: Entrepreneurship and Management Structures', *Business History*, Vol. 29, No. 4, 1987, pp. 18-45.

Greenwood, S., 'Bevin, The Ruhr and the Division of Germany: August 1945-December 1946', *The Historical Journal*, Vol. 29, No. 1, 1986, pp. 203-212.

Greenwood, S., 'Ernest Bevin, France and 'Western Union': August 1945-February 1946', *European History Quarterly*, 14, 1984, pp. 319-337.

Hannah, L., 'Government and Business in Britain: The Evolution of the Modern Relationship', in Nakagawa, K. (ed.), *Government and Business, Proceedings of the fifth Fuji Conference*, The International Conference on Business History 5 (Tokyo, 1980), pp. 107-124.

Harvey, C., 'Business History: Concepts and Measurement', *Business History*, Vol. 31, No. 3, 1989, pp. 1-5.

Herring, G.C., 'The Truman Administration and the Restoration of French Sovereignty in Indochina', *Diplomatic History*, Vol. 1, No. 2, Spring 1977.

Hess, G.R., 'The First American Commitment in Indonesia: The Acceptance of the Bao Dai Solution', *Diplomatic History*, Vol. 2, No. 4, Fall 1978.

Hinds, A.E., 'Imperial Policy and Colonial Sterling Balances 1943-56', *Journal of Imperial and Commonwealth History*, Vol. 19, No. 1 Jan. 1991.

Hinds, A.E., 'Sterling and Imperial Policy 1945-51', *The Journal of Imperial and Commonwealth History*, Vol. 15, No. 2, Jan. 1987, pp. 148-169.

Holland, R.F., 'The Imperial Factor in British Strategies from Attlee to Macmillan, 1945-63', *Journal of Imperial and Commonwealth History*, Vol. 7, No. 2, Jan. 1984, pp. 165-185.

Homan, G.D., 'The US and the Netherlands East Indies: The Evolution of American Anticolonialism', *Pacific Historical Review*, Vol. 53, 1984.

Ileto, R., 'Religion and Anti-colonial Movements', in Tarling, N. (ed.), *The Cambridge History of Southeast*, vol. 3: From c. 1800 to the 1930s (Cambridge, 1999), pp. 193-244.

Immerman, R.H., 'The US and the Geneva Conference of 1954: A New Look', *Diplomatic History*, Vol. 14, No. 1, Winter 1990.

Iriye, A., 'Contemporary History as History: American Expansion into the Pacific Since 1941', *Pacific Historical Review*, Vol. 53, 1984.

Jones, C.A., 'Institutional Forms of British Foreign Direct Investment in South America', *Business History*, Vol. 39, No. 2, Jan 1997, pp. 21-41.

Jones, G., 'Locational Choice, Performance and the Growth of British Multinational Firms: A Comment', *Business History*, Vol. 33, No. 1, 1991.

Jones, G., 'The Growth and Performance of British Multinational Firms before 1939: The Case of Dunlop', *Economic History Review*, Vol. 37, No. 1, pp. 35-53.

Jones, G., and Wale, J., 'Merchants as Business Groups: British Trading Companies in Asia Before 1945', *Business History Review*, Vol. 72, No. 3, Autumn 1998, pp. 367-408.

Jones, G., and van Helten, J., 'British Business in Malaysia and Singapore Since the 1870s', in Davenport-Hines, R.P.T., and Jones, G. (eds.), *British Business in Asia Since 1860* (Cambridge, 1989), pp. 157-188.

Jones, S., 'The overseas Trading Company in Britain ; The Case of the Inchcape Group', in Yonekawa, S., and Yoshihara, H. (eds.), *Business History of General Trading Companies ; The International Conference Business History 13 Proceedings of the Fuji Conference* (Tokyo, 1987), pp. 131-170.

Kling, B.B., 'The Origin of the Managing Agency System in India', *Journal of Asian Studies*, Vol. 26, No. 1 (November 1966-August 1967), pp. 37-47.

Knight, W., 'Labourite Britain: America's "Sure Friend"? The Anglo-Soviet Treaty Issue, 1947', *Diplomatic History*, Vol. 7, No. 4, Fall 1983, pp. 267-82.

Kratoska, P., and Batson, B., 'Nationalism and Modernist Reform', in Tarling, N. (ed.), *The Cambridge History of Southeast*, vol. 3: From c. 1800 to the 1930s (Cambridge, 1999), pp. 245-320.

Louis, W.R., 'American Anti-Colonialism and the Dissolution of the British Empire', *International Affairs*, No. 3, 1985, pp. 395-420.

McMahon, R.J., 'Anglo-American Diplomacy and the Reoccupation of the Netherlands East Indies', *Diplomatic History*, Vol. 2, No. 1, Winter 1978.

McMahon, R.J., 'Historiography-The Cold War in Asia; Towards a new Synthesis?', *Diplomatic History*, Vol. 12, No. 3, Summer 1988.

McMahon, R.J., 'Interpreting America's Failures in the Third World', *Diplomatic History*, Vol. 15, No. 1, Winter 1991.

Monzingo, D.P., 'Containment in Asia Reconsidered', *World Politics*, Vol. 19, No. 3, April 1967, pp. 361-77.

Newsinger, J., 'A Forgotten War: British Intervention in Indonesia 1945-46', *Race & Class*, Vol. 30, 1989, pp. 51-66.

Newton, S., 'Britain, the Sterling Area and European Integration, 1945-50', *The Journal of Imperial and Commonwealth History*, Vol. xiii, No. 3, May 1950, pp. 161-182.

Nicholas, S.J., 'Agency Contracts, Institutional Modes and the Transition to Foreign Direct Investment by British Manufacturing Multinationals Before 1939', *Journal of Economic History*, Vol. 43, No. 3 (1983), pp. 675-686

Nicholas, S.J., 'British Multinational Investment Before 1939', *The Journal of European Economic History*, Vol. 11, No. 3 (1982), pp. 605-630.

Nicholas, S.J., 'Locational Choice Performance and the Growth of British Multinational Firms', *Business History*, Vol. 31, No. 3 (1989), pp. 122-141.

Nicholas, S.J., 'The Overseas Marketing Performance of British Industry, 1870-1914', *The Economic History Review*, Vol. 37, No. 3 (1984), pp. 489-505.

Ovendale, R., 'Britain, the United States, and the Cold War in Southeast Asia, 1949-1950', *International Affairs*, Vol. 58, No. 3, Summer 1982.

Owen, N.G., 'Economic and Social Change', in Tarling, N. (ed.), *The Cambridge History of Southeast Asia*, vol. 4: from World War II to the Present (Cambridge, 1999), pp. 139-199.

Parker, J.G., 'Scottish Enterprise in India, 1750-1914', in Cage, R.A. (ed.), *The Scots Abroad* (London, 1985).

Pemberton, G.J., 'Australia, the United States, and the Indochina Crisis of 1954', *Diplomatic History*, Vol. 13, No. 1, Winter 1989.

Perkins, B., 'Putting London in Its Place', *Diplomatic History*, Vol. 15, No. 3, 1991, pp. 433-37.

Reader, W.J., 'Merchants or Manufacturers? British Methods in Foreign Trade, 1870-1939', in Yonekawa, S., and Yoshihara, H. (eds.), *Business History of General Trading*

Companies ; The International Conference Business History 13 Proceedings of the Fuji Conference (Tokyo, 1987), pp. 209-237.

Reid, A., 'Indonesia: From Briefcase to Samurai Sword', in McCoy, A. (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), pp. 16-32.

Reid, A., 'Indonesia: Revolution without Socialism', in Jeffrey, R. (ed.), *Asia-The Winning of Independence* (New York, 1981).

Richardson, J.H., 'Convertibility of Sterling', *The Secretary*, Vol. LI, No. 9, Sep. 1954, pp. 390-395.

Rudner, M., 'Rubber Strategy for Post-War Malaya, 1945-48', *Journal of Southeast Asian Studies*, Vol. 1, ISS. 1, 1970, pp. 23-36.

Rudner, M., 'The Draft Development Plan of the Federation of Malaya 1950-1955', *Journal of Southeast Asian Studies*, Vol. 3, 1972, pp. 63-96.

Rudner, M., 'A Reply to P.T. Bauer's Comment on Post-War Malayan Rubber Policy', *Journal of Southeast Asian Studies*, ISS. Iv, 1973, pp. 300-304.

Rudner, M., 'Financial Policies in Post-war Malaya: The Fiscal and Monetary Measures of Liberation and Reconstruction', *The Journal of Imperial and Commonwealth History*, Vol. III, No. 3, May 1975, pp. 323-348.

Rudner, M., 'Malayan Rubber Policy: Development and Anti-Development during the 1950s', *Journal of Southeast Asian Studies*, 7, 1976, pp. 235-259.

Rudner, M., 'Development Policies and Patterns of Agrarian Dominance in the Malaysian Rubber Export Economy', *Modern Asian Studies*, Vol. 15, No. 1, 1981, pp. 83-105.

Schaller, M., 'Securing the Great Crescent: Occupied Japan and the Origins of Containment in Southeast Asia', *Journal of American History*, Vol. 69, June 1982-March 1983.

Schonberger, H., 'Peacemaking in Asia: The US, Great Britain, and the Japanese Decision to Recognise Nationalist China, 1951-52', *Diplomatic History*, Vol. 10, No. 1, Winter 1986.

Shalom, S.R., 'Ties That Bind: A Century of US-Philippine Relations', *Diplomatic History*, Vol. 18, No. 2, Spring 1994.

Schenk, C.R., 'The Origins of a Central Bank in Malaya and the Transition to Independence, 1954-59', *The Journal of Imperial and Commonwealth History*, Vol. 21, No. 2, 1993, pp. 409-431.

Smith, R.B., 'Some Contrasts between Burma and Malaya in British Policy in Southeast Asia', in Smith, R.B. and Stockwell, A.J., *British Policy and the Transfer of Power in Asia: Documentary Perspectives* (London, 1985).

Stockwell, A.J., 'A widespread and long-concocted plot to overthrow government in Malaya? The Origins of the Malayan Emergency', *The Journal of Imperial and Commonwealth History*, Vol. 21, No. 3, 1993, pp. 66-88.

Stockwell, A.J., 'Insurgency and Decolonisation during the Malayan Emergency', *Journal of Commonwealth and Comparative Politics*, Vol. 25, No. 1, 1987, pp. 71-81.

Stockwell, A.J., 'British Imperial Policy and Decolonization in Malaya, 1942-52', *The Journal of Imperial and Commonwealth History*, Vol. 13, No. 1, Oct. 1984, pp. 68-87.

Stockwell, A.J., 'Colonial Planning during World War II: The Case of Malaya', *Journal of Imperial and Commonwealth History*, Vol. 3, 1974, pp. 333-351.

Stockwell, A.J., The Approach to a Possible 'Transfer of Power' Series on Malaysia and Singapore, in Smith, R.B. and Stockwell, A.J., *British Policy and the Transfer of Power in Asia: Documentary Perspectives* (London, 1985).

Stockwell, A.J., 'Southeast Asia in War and Peace: The End of European Colonial Empires', in Tarling, N. (ed.), *The Cambridge History of Southeast Asia*, vol. 4: from World War II to the Present (Cambridge, 1999).

Stockwell, S., 'Decolonisation Beyond the Public Record office: Non-Official Sources for Studying the End of Empire', *Contemporary Record* (The Journal of British History), Vol. 6, No. 3, Winter 1992, pp. 557-566.

Stopford, J.M., The Origins of British-Based Multinational Manufacturing Enterprises, *Business History Review*, 48, 1974, pp. 303-35.

Sugiyama, 'A British Trading Firm in the Far East ; John Swire & Sons, 1867-1914', in Yonekawa, S. and Yoshihara, H. (eds.), *Business History of General Trading Companies ; The International Conference Business History 13 Proceedings of the Fuji Conference* (Tokyo, 1987), pp. 171-207.

Supple, B., 'British Economic Decline Since 1945', in Floud, R., and McCloskey, D. (eds.), *The Economic History of Britain Since 1700* (Cambridge, 1995), Vol. 3: 1939-1992, pp. 318-346.

Symposium, 1967 'Devaluation', *Contemporary Record*, Vol. 1, No. 4, 1988, pp. 44-53.

Tarling N., 'The Establishment of the Colonial Regimes', in Tarling, N. (ed.), *The Cambridge History of Southeast*, vol. 3: From c. 1800 to the 1930s (Cambridge, 1999), pp. 1-74.

Tomlinson, B.R., 'British Business in India 1860-1970', Davenport-Hines, R.P.T., and Jones, G. (eds.), *British Business in Asia Since 1860* (Cambridge, 1989), pp. 92-116.

Trocki, C.A., 'Political Structures in the Nineteenth and Early Twentieth Centuries', in Tarling, N. (ed.), *The Cambridge History of Southeast*, vol. 3: From c. 1800 to the 1930s (Cambridge, 1999), pp. 75-126.

Turnbul, C.M., 'Regionalism and Nationalism', in Tarling, N. (ed.), *The Cambridge History of Southeast Asia*, vol. 4: from World War II to the Present (Cambridge, 1999), pp. 257-317.

Van Langenberg, M., 'North Sumatra 1942-1945: The Onset of A National Revolution', in McCoy, A. (ed.), *Southeast Asia under Japanese Occupation* (New Heaven, 1980), pp. 33-64.

Warner, G., 'The Anglo-American Special Relationship', *Diplomatic History*, Vol. 13, No. 4, Fall 1989.

White, N.J., 'Government and Business Divided: Malaya, 1945-57', *The Journal of Imperial and Commonwealth History*, Vol. 22, No. 2, 1994, pp. 251-274.

White, N.J., 'Capitalism and Counter-Insurgency? Business and Government in the Malayan Emergency, 1948-1957', *Modern Asian Studies*, Vol. 32, Part. 1, 1998, pp. 149-177.

Wilkins, M., 'European and North American Multinationals, 1870-1914: Comparisons and Contrasts', *Business History*, 30, pp. 8-45.

Wilkins, M., 'Modern European Economic History and the Multinationals', *The Journal of European Economic History*, 6, 1977, pp. 575-95.

Wilkins, M., 'The History of European Multinationals: A New Look', *The Journal of European Economic History*, 15, 1986, pp. 483-510.

Williams, J.E., 'Siam: A Bone of Contention Between Britain and the United States, 1942-46', *Review of International Studies*, Vol. 8, No. 3, July 1982.

Wolf, D.C., 'To Secure a Convenience Britain Recognises China-1950', *Journal of Contemporary History*, Vol. 18, 1983, pp. 299-326.

Xiang, L., 'The Recognition Controversy: Anglo-American Relations in China 1949', *Journal of Contemporary History*, Vol. 27, No. 2, 1992, pp. 319-343.

Yasuhara, Y., 'Japan, Communist China, and Export Controls in Asia 1948-52', *Diplomatic History*, Vol. 10, No. 1, Winter 1986.

MA & PhD DISSERTATIONS

Pocmontri, I., Negotiations between Britain and Siam on the Agreement for the Termination of Their State of War, 1945: An Instance of Intervention by the US in British Foreign Policy, *MA Dissertation*, Department of International Studies, University of Warwick, 1981.

White, N.J., Government and Business in the Era of Decolonization: Malaya 1942-57, *PhD thesis*, Department of History, University of London, 1993.

PRIMARY SOURCES

I. The Public Record Office, London

Prime Minister's Office

PREM 8

PREM 11

PREM 13

Treasury

T 220 Imperial and Foreign Division

T 230

T 236 Overseas Finance Division Files

T 238

Board of Trade

BT 11 Commercial Relations and Exports Department

Colonial Office

CO 537 Records of the Colonial Office, Commonwealth and Foreign and Commonwealth Offices

CO 825 Eastern Department

CO 1030 Far Eastern Department

CO 1022 South East Asian Department

Dominion Office & Commonwealth Relations Office

DO 35 Malaya Department

Cabinet
CAB 128

CAB 129

Foreign Office
FO 371 Political Departments

II. Guildhall Library

Ms. 14,487 / 5-6, Association of British Chambers of Commerce, Overseas Division: Committee Minutes and Papers, Dec. 1944 - May 1964.

Ms. 14,487

Ms. 16,611 / 2

Ms. 16,612, London Export Merchants Minute Books 1940-57.

Ms. 16,613 / 2-4, London Chamber of Commerce, National General Export Merchants Group Minute Book 1945-58.

Ms. 16,736 / 2-3, London Chamber of Commerce, Overseas Committee (Special Committee Minute Book) 1943-48.

Ms. 16,742

Ms. 16,533

Ms. 16,745

Ms. 17,364

Ms. 18,287 / 13-15, The Federation of Commonwealth and British Empire Chambers of Commerce, Report of the proceedings to the Eighteenth Congress May 1956-the Twentieth Congress May 1958.

Ms. 18,282 / 3, the Federation of Commonwealth Chambers of Commerce, Annual Reports, 1935-59.

Ms. 18,283 / 3, The Federation of Chambers of Commerce of the British Empire, minute Books 1937-51.

Ms. 18,283 / 10, The Federation of Chambers of Commerce of the British Empire, Report of the London Conference Oct. 1945.

Ms. 18,287 / 10-13 The Federation of Chambers of Commerce of the British Empire, Report of the Fifteenth Congress South Africa, Sep. 1948-Report of the Eighteenth Congress London, June 1954.

Ms. 18,288 / 2A and 2B The Federation of Commonwealth and British Chambers of Commerce.

Ms. 27,032

Ms. 27,029 / 3 & 10.

Ms. 27,179

Ms. 27,188 / 1-4

Ms. 27,181-2

Ms. 27,196

Ms. 27,298

Ms. 27,259 / 1

Ms. 27,213

Ms. 27,260

Ms. 27,274

Ms. 27,295

Ms. 27,297

Ms. 27,376

Ms. 27,305

Ms. 27,328

Ms. 27,363

Ms. 27,326

Ms. 27,373

Ms. 27,367

Ms, 27,386

Ms. 27,437

Ms. 27,439

Ms. 27,516

Ms. 27,522 / 2

III. Modern Record Centre, The University of Warwick, Coventry

MSS 200/F/3/02/3/25 Trade with Indonesia 1953-61.

MSS 200/F/3/02/4/1 Federation of British Industries, Agency Agreements Overseas Correspondents, 1951-60.

MSS 200 B/3/3/264A FBI Committee on Policy towards Under-Developed Countries.

MSS 200/F/3/D3/6/75 D/5527-8 FBI Kippng Files.

MSS 226/ST/3/0/FE/1 189 Far East Company: Internal Memorandum.

MSS 226/ST/3/0/FE/1 189-190 Far East Company: Advantages of a UK Subsidiary for the Far East 1959.

MSS 226/ST/3/0/FE/1 209

MSS 226/ST/3/0/FE/2 190

MSS 292/930/2 TUC, Colonial Questions, 1945-59.

MSS 292/930/3 TUC, Malaya, 1953-58.

MSS 292/930.6/1 1955-60 T1170 Colonial Office.

MSS 292/959/1 T1030, East Indies 1946-60.

MSS 292/959.1/1 1939, 1946-49 Malaya, Society of Planters of Malaya with Advisor in Malaya Communist Disruptions.

MSS 292/959.1/2 1947-48.

MSS 292/959.1/3 1949-51.

MSS 292/959.1/4 T 479 1951-52.

MSS 292/959.1/5, T 814 Malayan Trade Unionism 1952-54.

MSS 292/959.1/6, T 814 1955-56.

MSS 292/959.1/7, 8a, 8b T 479

MSS 292/959.1/9 Dunlop Plantation, 1954.

MSS 292/959.2/1 T696 1945-53 Indonesia

MSS.296/REG/341.04

IV. FRUS (Foreign Relations of the United States)

FRUS, 1949, Vol. vii, Part. 2, Department of State, Washington, pp. 1115-1220.

FRUS, 1950, vol. vi, Department of State, Washington, pp. 1-188, 1529-39.

FRUS, 1951, Vol. vi, Part 1, Department of State, Washington, pp. 1-265.

FRUS, 1951, Vol. vi, Part. 2, Department of State, Washington, pp. 1594-1649.

FRUS, 1952-54, Vol. xii, Department of State, Washington, pp. 647-748.

FRUS, 1955-57, Vol. xxii, Department of State, Washington.

FRUS, 1958-60, Vol. iv, Department of State, Washington, pp. 152-288.

FRUS, 1958-60, Vol. xvi, Department of State, Washington, pp. 1-228.

FRUS, 1961-63, Vol. xxiii, Department of State, Washington.

V. Hansard

Vols. 457, 458, 467, 475, 480, and 485

VI. Newspapers and Journals

The Times

The Financial Times

The Manchester Guardian

