

**AZRAI Abdullah**

**IZDIHAR Baharin**

Universiti Teknologi Petronas

**RIZAL Yaakop**

Universiti Kebangsaan Malaysia

## **THE TRANSFORMATION OF PERAK'S POLITICAL AND ECONOMIC STRUCTURE IN THE BRITISH COLONIAL PERIOD IN MALAYA (1874-1957)**

This paper analyses the political economy of the state of Perak under colonial rule. It explores how Perak experienced a tremendous transformation in her political and economic structure, one that paved the way for modernization and rapid economic progress. This development was the direct result of Britain's colonial government involvement in Perak's administration. Their intervention broke down many traditional barriers that had long confined Perak's economy to a state of self-reliance, and also managed to integrate her economy with international trends by encouraging foreign investment and utilising cheap labour. These changes brought in new technologies and infrastructure that set the stage for Perak to become one of the most progressive states in Malaya's post-independence history.

**Keywords:** *Perak, economic structure, socio-political organization, colonization*

### **Introduction**

The intervention of the British in Perak marked the beginning of a new era for the state. The introduction of a different system of authority led to significant changes in their political structure. In terms of the economic structure, the Malay states became one of the major world suppliers of raw materials and at the same time became increasingly dependent on outside labour and technology. In the social dimension, there was a change from a primarily Malay society to a multi-ethnic population. These changes were brought about by a 'new' style of government, which actively promoted a market-driven economy.

British intervention required the establishment of a systematic administrative structure in the state (Chai Hon-Chan 1967:9). Modelled on the British system, such an orderly system was deemed crucial if government rule was to be enforced, economic exploitation to be further intensified, and capitalism to prosper. Previous experiences in other colonies had taught the British the advantages of indirect rule and governance through the indigenous leaders. This paper aims to analyse the political economy of Perak during the colonial period. Specific transformations will be explored in order to demonstrate how Perak was incorporated into an international system, and the

consequences of these changes will be assessed.

## Social and Political Structures

The first test for the British in maintaining law and order was to combat slavery. In the eyes of the British, slavery was seen as an obstacle to economic development because it was regarded as archaic and incompatible with a capitalist economy. Slavery was considered an oppressive mode of labour control that discouraged high productivity and enterprise (Sadka 1968:113), whereas the British favoured a free wage labour system. However, the British were faced with determined and sustained Malay opposition, and abolition posed chronic political and administrative problems. The strategy of pursuing the issue unhurriedly but persistently finally resulted in its abolition in 1883 (Jomo 1988:7-10).

The abolition of *kerah* took even more time because of the opposition of the district chiefs. Unlike slavery, where the ruling class and the *rakyat* both had access to the system, *kerah* was only available to the former. By 1882 the *kerah* institution in Perak had gradually changed into a combination of a poll tax system and a fixed duration of corvée labour. Further changes were made throughout the phasing out of the system and by 1891 it was abolished altogether (Chai Hon-Chan 1968:12).

The establishment of British rule in Perak also involved a number of changes in the political structure. The preservation of the Sultan's status and his symbolic position was important to maintain a facade of Malay rule, though he was removed from active involvement in the government as there was a shift of power to the British Resident (Lim Teck Ghee 1976:68-19). The Pangkor Engagement also demonstrated the British ability to determine the appointment of the Sultan. They supported the candidacy of someone who would come under their influence and be sympathetic to British policy.

In the implementation of British indirect rule in Perak, the ruling class suffered more than the Sultan (Gullick 1992:1). They found themselves increasingly marginalized in the new government. Under the Engagement, both the Sultan and his chiefs lost their rights to collect taxes and duties. The district chiefs had also been almost entirely removed from their line of authority; most of them were given positions in the State Council. However, their influence was restricted to Malay social matters that were raised in Council business. Both the Sultan and the district chiefs, however, were compensated with a monthly allowance from the state treasury for their loss of tribute.

The side-lining of district chiefs from the state administration resulted in the emergence of a new type of leader. Most notable was the use and deployment of *penghulus* in administering the state at the local level (Kratoska 1984:31-58). This policy was seen as in line with the British intention to preserve and develop the traditional system of government and at the same time

to keep the state's expenditure under control in maintaining peace and order (Jagjit Singh 1980:152). Therefore, the role of *penghulus* changed drastically during the colonial period. As part of their duties, they were also involved in land matters following the introduction of the colonial land policy, which saw individual landholdings introduced (Sadka 1968:113) and land become a commodity. Their appointment, which was previously under the domain of the Sultan, was transferred to the British Resident.

Within the framework of indigenous participation in state administration, the British also established two institutions which were to have a considerable impact on the social status of the Malays. The first was the creation of the State Council and the second, the Malay Administrative Service (MAS) by the Federated Malay States (FMS) government. Apart from encouraging Malay participation, these two institutions were also used as a vehicle to provide the former ruling class with a place in the new regime (Gullick 1992:93-94).

The establishment of the Perak State Council in 1875 was designed to assist the British Resident in all matters pertaining to the business of government. With the growth in population of both the Malays and the Chinese, it was also a means of bringing together both the Malay chiefs and a small number of Chinese leaders to address certain administrative problems. However, there was a growing resentment among its members, especially amongst the Malays, due to the priority given to European and Chinese capitalist interests in British policy. In practice, important state matters such as economic planning, fiscal policy and land tenure were in the hands of the British. The British left the State Council primarily with a limited range of Malay social matters and the implementation of the policies that had already been decided upon; the Council was designed to 'maintain the fiction of Malay rule' (Gullick 1992:1). Despite the lack of participation in shaping state economic development programmes, the State Council remained 'an essential instrument of government under the Residential system' (Chai Hon-Chan 1967:16).

If the State Council was established to assist the British Resident and to provide advice on state policies, the MAS, established in 1910, was designed for direct Malay participation in state administration. The policy was to provide appropriate education and training to help the Malays qualify for government appointments (Sadka 1968:176). The positions of state and district officer - once held only by the British - were gradually transferred to the Malays. The establishment of the Malay College Kuala Kangsar (MCKK) in 1905 emphasised the significance of colonial education policy, the main objective of which was to create a professional cadre of Malay administrators (Gullick 1992:101).

The introduction of a new land tenure system to replace customary land dealings provided the basis for the new capitalist economy. The Malays began to be exposed to the concept of land as a commercial and marketable

commodity. This provided an opportunity for them to enhance their economic position. It however resulted in pressure on the Malay peasantry and loss of land to the non-Malays which eventually gave rise to the Malay Reservation Enactment in 1913 (Jagjit Singh 1980:142-152). With the restrictions imposed by the Enactment that disallowed land sale to non-Malays, Malay land became less valued compared to that outside the reservations. Although the policy to protect the Malays from landlessness was noble, it placed them at an economic disadvantage. The boom in the price of rubber during the second decade of the twentieth century however, helped to counter the problem as peasants began to take up the part-time planting of commercial crops to boost their income (Lim Teck Ghee 1976:106-116).

The movement of Chinese labourers into Perak that had begun during the pre-colonial period continued and gathered pace; after 1874 the colonial government continued to promote this mode of labour supply as more tin mines were opened. Towards the end of the nineteenth century, immigrants from Java were also brought into Perak who later settled as rice cultivators in the areas of Lower Perak and Krian. In addition, the sudden surge in the demand for rubber in the early twentieth century resulted in immigrant labourers migrating from southern India to work in the rubber plantations. By 1920 there were also an increasing proportion of transient migrant labourers settling in Malaya, including Perak.

### **The Exchange Economy**

On a global scale, the influence of the northwest European Industrial Revolution began to spread to other parts of the world. The introduction of imported 'modern' goods and services accelerated the development of an exchange economy in Perak (Gullick 1992:333). The introduction of money as a medium of exchange further encouraged the development of capitalism.

At the local level, the changes implemented during the colonial period had also stimulated an exchange economy among the peasants. The encouragement given by the colonial government to foreign capital, particularly from the British and Straits Chinese capitalists, meant that exchange channels which were previously limited, became more widely developed. This, coupled with the increasing production of tin and later rubber, resulted in the expansion of trade with the western world and the growth of secondary activities including the development of the financial sector.

One of the major factors that had forced changes in the peasant economy was the introduction of the colonial land tenure system that gave emphasis to the concept of private landholding and ownership. Land was regarded as a commodity with a monetary value and could therefore be bought and sold. The prospect of land being used as collateral had started to become apparent during the late pre-colonial period and the introduction of the

new tenure system only further strengthened its occurrence (Lim Teck Ghee 1976:135). Private ownership allowed them to sell land to raise money to be used as production capital or to pay off loans.

In the new economic order, peasants' attitudes towards production changed, along with the removal of traditional constraints on labour. Labour was diverted into market-based activities, particularly in those areas close to tin mines or commercial centres where income-generating opportunities abounded. The emphasis on production for exchange had also contributed to the undermining of the Malay concept of *gotong-royong* (mutual help). At the same time rice cultivation began to play a less central role due to its relatively low returns. Although it provided the staple food the surplus, if any, only allowed the peasants to improve their income marginally while other available productive activities such as the planting of cash crops for example, gambier, pepper, and tapioca, could provide faster and better returns (Sharom Amat 1084:76). The increasing population of Perak also created an ever-increasing demand for food products, including rice, for sale in the market place.

While rice cultivation had been the main activity pursued, the introduction of rubber planting in the early twentieth century intensified peasant commodity production as it fitted well with the peasants' limited resources and provided better returns (Lim Teck Ghee 1976:135). The response from the peasants was so dynamic that by 1910 peasant rubber smallholding had already dominated a large section of the commercial economy in the agricultural sector. With this, larger and more regular income consumption patterns began to change.

Another development that further exposed the population of Perak to the exchange economy was the new capital investment undertaken by the colonial government, particularly for the construction of railways and roads. Communication, therefore, became more efficient with easier movement of goods to fulfil new demands in consumption. Along with it came the import of technologies for the production and maintenance of transport, and the development of knowledge and skills to maintain and operate the equipment.

## **Foreign and Local Investment**

During the period between 1874 to 1957, Perak became increasingly dependent on the outside world for consumable products and was integrated into a wider capitalist economy. The important role of generating economic growth was played by local and foreign investment.

Tin-mining had long pre-dated British intervention in Perak. Chinese investment in tin-mining in Perak did not come from Mainland China but was primarily from Chinese in the British colony of Penang. These were immigrants who had arrived much earlier and had established themselves as merchants and traders. They had accumulated significant wealth and were

ready to divert it into the tin-mining industry. So far, no estimate of the size of Chinese investment in Perak's tin-mining has been carried out. However, we can examine the following figures to obtain a rough idea of the scale of investment in the early years of mining: by the late 1880s the number of Chinese immigrants in Perak was about 80,000 people; about half of these were on the credit-ticket system; and the price of each credit-ticket immigrant was between \$20 to \$29. Therefore, the amount of upfront investment required just to bring in part of their labour needs alone amounted to between \$800,000 and \$1,160,000, excluding other production investment needed for the mining operations. The credit-ticket system, however, declined in popularity towards the end of the nineteenth century, partly due to the excessive cost charged by coolie-brokers and partly due to opposition by the Chinese government, which eventually saw its abolition in 1914 (Yip Yat-Hoong 1969:75).

At the beginning of the twentieth century a new system of tin mine operation known as the tribute or *hun* system emerged. New mines were opened by groups of immigrant labourers who by then had fulfilled their obligations under the credit-ticket system and were 'free' labourers. The rest were employed either as wage earners or were under contract. The initial high capital investment on labour input was no longer required as the entire workforce were 'shareholders'. The Chinese mining system finally declined as the extraction techniques employed, which relied on easily accessible deposits, were becoming unsuitable. Towards the end of the 1920s Chinese dominance was replaced by western enterprises.

Western involvement in tin-mining was slow to start. This delay was attributed to the mismatch between the needs of the industry and the western technology brought in during the early stages. Western technology, along with a broad organisational structure, promoted high operating costs (Perak Government Gazette 1894:152) that were unable to compete with the Chinese. Although only scanty information is available on western companies operating in the tin-mining industry in Perak prior to 1900, the first western enterprise to be established was a French company known as Société des Mines d'Etains de Perak in 1883 (Allen & Donnithorne 1962). The first British enterprise to venture into tin-mining was the Gopeng Mining Company, floated in 1892 with Cornish capital. By the end of the century both companies were the only two Western enterprises operating in Perak, though two other companies had been established but had closed their operations down for unknown reasons. The total investment of foreign companies in Perak prior to 1900 cannot be estimated. However, it was reported that between 1882 and 1900 a total of forty-seven British tin-mining companies were registered in the FMS with a total authorised capital of £4.8 million and an estimated issued capital of £1.9 million (Chai Hon-Chan 1967:164). Some of these companies did not even commence actual operations and for those that did, they failed to survive the competition from the Chinese and the low tin price during the period 1894 to

1898.

The revival of the tin price at the beginning of the twentieth century that surpassed the £100 per ton mark saw foreign investment, particularly British, begin to increase. By 1939, there were a total of one hundred and twenty nine European companies operating in the FMS. Again, although complete data on investment by foreign companies engaged in all modes of tin production is unavailable, the total issued capital in dredging companies operating in Perak during the period 1900-1957 provides an indication of the level of investment (see Table 1).

Table 1. Perak: Tin Dredging Companies Incorporated and Operating between 1900-1957

	Name of company	Place of Registration	Year	Issued Capital
1	Tronoh Mines Ltd.	London	1901	£ 2,150,375
2	Siamese Tin Syndicate Ltd.	London	1906	£ 819,600
3	Pengkalen Ltd.	Redruth	1907	£ 270,919
4	Malayan Tin Dredging Ltd.	London	1911	£ 1,852,445
5	Kamunting Tin Dredging Ltd.	London	1912	£ 668,750
6	Taiping Consolidated Ltd.	Kuala Lumpur	1917	£ 1,027,000
7	Johan Tin Dredging Ltd.	Ipoh	1920	£ 15,869
8	Southern Malayan Tin Dredging Ltd.	London	1925	£ 1,441,667
9	Tanjung Tin Dredging Ltd.	London	1925	£ 371,667
10	Kinta Kellas Tin Dredging Ltd.	London	1926	£ 105,000
11	Kramat Tin Dredging Ltd.	Kuala Lumpur	1926	£ 330,000
12	Kg. Lanjut Tin Dredging Ltd.	Kuala Lumpur	1928	£ 800,000
13	Kuala Kampar Tin Fields Ltd.	Kuala Lumpur	1928	£ 615,000
14	Larut Tin Fields Ltd.	Kuala Lumpur	1928	£ 60,000
15	Lower Perak Tin Dredging Ltd.	Kuala Lumpur	1928	£ 660,000
16	Southern Kinta Consolidated Ltd.	London	1934	£ 769,600
17	Sungei Bidor Tin Dredging Ltd.	Canberra	1937	£ 54,000
18	Austral Amalgamated Tin Ltd.	Taiping	1939	£ 836,896

Source: Collated from Yip Yat Hong (1969:349-350).

Despite the colonial government's concentration on the production and export of tin, it was also concerned to develop plantation agriculture. Foreign capitalists, especially from the West, were encouraged to invest in this sector as well. The incentives were primarily in the form of grants for large tracts of land and special premiums and land rents. It was sugar cultivation that first attracted both local and foreign capitalists in the mid-1870s, primarily to Krian. About a decade later coffee became important and towards the end of the 1890s European planters acquired 35,000 acres for coffee, although only 1,500 acres were cultivated (Yip Yat-Hoong 1969:349). It was also reported



that during the same period 76 estates were in existence covering 71,636 acres, though only a quarter were actively cultivated. Within the period of 1900-10 both these crops, however, declined in importance due to the dramatic price fluctuations and competition in the world markets. At the point at which colonial agricultural development policy was deemed to have failed, it was rubber, which provided a new impetus and helped counterbalance the concentration on tin production. This development also provided a significant contrast to the tin economy because from the initial stages European capitalists were dominant in this industry. Due to the attractive price of the commodity and easy maintenance of the crop Malay smallholders also took up cultivation and were later joined by the Indians.

The funds for investment in the rubber industry were provided for from different sources for different groups of cultivators. Foreign capital investment, mainly from the Europeans, came in primarily via merchant houses that were actively promoting investment in the London capital market. Chinese investment was divided into two categories: the first consisted of Chinese capitalists who had accumulated capital from tin-mining and reinvested it in the rubber industry (Lim Teck Ghee 1976:117) and the second comprised smallholders who undertook cultivation either as the main or as a supplementary activity. The Indians who were involved in rubber estates for the most part tended to be associated with *Chettiar* financing activities whose funds originated from India. As for the Malays, their involvement in the subsistence economy left them little or no capital for investment in the rubber industry during the colonial period (Lim Chong Wah 1969).

As in tin-mining, the growth of investment in the rubber industry was phenomenal (see Table 2). From 1905 to 1909 the total acreage increased almost six-fold. Although no segregation was given for estates and smallholdings, the major acreages belonged to European estates because at this time smallholder rubber cultivation was in its early stages. In terms of bringing an estate to maturity, the estimates of the capital costs for this period were between £20 to £60 per acre. Taking it further, in 1921 total estate holdings in Perak in Perak were 231,893 acres (Lim Chong Wah 1969:115) and the estimated capital expenditure then was £70 to £100 per acre (Lim Teck Ghee 1976:175). Using these estimates, the capital investment in 1909 would be between £1.4 million and £4.1 million; and in 1921 between £11.5 million and £16.4 million (Drabble 1973:99). On the other hand, it is also crucial to remember that the contribution by smallholders in the rubber industry was high. By 1921, for example, smallholders represented 48% of the total rubber cultivated area of 447,186 acres in Perak. These were local cultivators whose capital expenditure per acre would not be as high as estate operators because title-holders or family members generally provided the labour. The Rubber Growers Association, whose members comprised mainly British companies and agency houses, reported that the total book value of issued capital in 1941



was almost £65 million or about US\$260 million (Parmer 1960:46).

Table 2 Perak: Rubber acreage, 1905-1909

Year	1905	1906	1907	1908	1909
Acreage	11,934	29,612	46,167	56,706	68,278

Sources: Chai Hon-Chan (1967:155); Lim Teck Ghee (1977:95).

## Conclusion

This study found that at least three major developments took place in Perak under British colonial rule. The first was the clear distinction and separation between the ruler (Sultan), who became essentially a symbolic figure head, and the government in the state administration in contrast to the pre-colonial period when both were one and the same; second, strong emphasis was given to the promotion of the market-driven economy from the previous feudal system; and third, the introduction of the colonial land system that recognised land as a commodity. The primary colonial objective in Perak was the exploitation of tin and rubber for profit, which were the major commodities that supported the expansion of the export economy. The other important development in Perak during the British colonial period was the emergence of private enterprises that served as the main engines of growth and accelerated the expansion of the economy. At the end of British colonialism in 1957, the natural resources that had played such an important role in Perak's position in the world economy began to lose their status. This implies that future policy with regard to economic transformation must take into account the historical background of colonial administration for the good of future undertakings.

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### **Biographical Notes**

Azrai Abdullah ([azraia@petronas.com.my](mailto:azraia@petronas.com.my)) is a lecturer at Department of Management and Humanities, Universiti Teknologi Petronas, Malaysia.

Izdihar Baharin ([izdihar@petronas.com.my](mailto:izdihar@petronas.com.my)) is a lecturer at Department of Management and Humanities, Universiti Teknologi Petronas, Malaysia.

Rizal Yaakop ([rizaly@ukm.my](mailto:rizaly@ukm.my)) obtained his PhD in International Relations from the University of Hull, United Kingdom. His research interests include security and Malaysian politics, Malaysian foreign policy and environmental security. He is currently an associate professor at the School of History, Politics and Strategic Studies, Faculty of Social Sciences and Humanities, Universiti Kebangsaan Malaysia.