

Capitalism and Counter-insurgency? Business and Government in the Malayan Emergency, 1948–57

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Introduction

Contemporary critics argued that counter-insurgency in Malaya represented more than the defeat of militant communism. Britain's campaign against the Malayan Communist Party (MCP) was seen as resulting from British government collaboration with British capitalists to maintain profits at the expense of the legitimate aspirations of Malayan workers.¹ More recently, it has been argued that the declaration of the emergency in June 1948 was a pre-emptive strike intended to 'resolve the problem of political control' and prevent the 'radical nationalist forces organized around the MCP' from gaining a nation-wide following. According to this view, government strategy was to 'manage nationalism' and 'control' decolonization so as to preserve the position of British capital in Malaya.² For marxists, the emergency is seen as part of the process of establishing 'neo-colonialism'.³ Even for less determinist models, the general complicity between British government and British business in colonial counter-insurgency campaigns is apparently clear. In primary-

¹ Not surprisingly, this was the line taken by the Communist Party of Great Britain. [See *Daily Worker*, 26 April 1950, 'Death and Profits in Malaya. Sacrifice on the Altar of Mincing Lane'.] It was, however, a view shared by the 'Keep Left' group of the Labour Party led by Minister of Health, Aneurin Bevan. [Leong Yee Fong, 'The Impact of the Cold War on the Development of Trade Unionism in Malaya (1948–57)', *Journal of South-East Asian Studies*, XXIII, 1 (Mar. 1992), pp. 61–2.]

² Frank Furedi, 'Decolonization and the Role of Britain's Emergencies', Institute of Commonwealth Studies, Commonwealth History/Decolonization Seminar, unpublished paper, 16 Nov. 1989.

³ Malcolm Caldwell, 'From "Emergency" to "Independence", 1948–57', in Mohamed Amin and Malcolm Caldwell (eds), *Malaya: The Making of a Neo-Colony* (Nottingham, 1977).

producing territories like Malaya, the harmony of interests between 'gentlemanly capitalist' officials and unofficials (centred on the City of London) ensured that after 1945 'coercion tended to be the first resort of policy'.⁴ The majority of scholarly output on the emergency has focused on official and guerrilla strategies leaving aside the role of business interests.⁵ As a result, the relationship between British business and British government has not been explored in depth. The present article seeks to fill this historiographical gap by reassessing official and commercial interaction in politically disturbed Malaya.

There is no doubt that communist-inspired violence from the late 1940s was a fresh impediment to British business operations in the Malayan peninsula. Whilst an endemic lawlessness had always accompanied colonial rule in Malaya, prewar gangsters and brigands, as one British planter reflected in 1956, had not proved 'a very serious threat to the police or planters who were generally better armed than the robbers'. After the war, however, the 'bandits' were in possession of both 'political aspirations' and modern weaponry which represented a much greater threat.⁶ By July 1954, the British-dominated United Planting Association of Malaya (UPAM) estimated that 7% of all European planters had been killed.⁷ The level of violence was more intensive and protracted than in any other British colonial territory in the decolonization era. The state of emergency declared in June 1948 was bequeathed to an independent regime in August 1957. It took a further three years to restore a stable political

⁴ P. J. Cain and A. G. Hopkins, *British Imperialism. II. Crisis and Deconstruction, 1914–1990* (Harlow, 1993), p. 280.

⁵ Richard Clutterbuck, *Conflict and Violence in Singapore and Malaysia, 1945–83* (Boulder, CO, 1985); Anthony Short, *The Communist Insurrection in Malaya, 1948–60* (London, 1975); A. J. Stockwell, 'Insurgency and Decolonisation During the Malayan Emergency', *Journal of Commonwealth and Comparative Politics*, XXV, 1 (Mar. 1987), pp. 71–81; *idem*, 'Policing During the Malayan Emergency, 1948–60: Communism, Communalism and Decolonisation', in D. M. Anderson and David Kill-ingray (eds), *Policing and Decolonisation: Politics, Nationalism and the Police, 1917–65* (Manchester, 1992); *idem*, "'A widespread and long-concocted plot to overthrow government in Malaya"? The Origins of the Malayan Emergency', *Journal of Imperial and Commonwealth History*, XXI, 3 (Sept. 1993), pp. 66–88; Richard Stubbs, *Hearts and Minds in Guerilla Warfare. The Malayan Emergency, 1948–60* (Singapore, 1989).

⁶ CO 1030/17, J. K. Swaine, Chairman, Perak Rubber Plantations to Alan Lennox-Boyd, Secretary of State, 5 Jan. 1956.

⁷ CO 1022/25, Letter from Rex Duncan, UPAM, 19 July 1954. John Gullick estimates that over the entire period of the Emergency 10% of the planter population were murdered. [*Malaysia* (London, 1969), p. 90.]

environment.⁸ Throughout the stakes were high. The MCP had a clear plan of campaign to halt rubber and tin production through hit-and-run raids on plantations and mines; killing key personnel, slashing trees, and damaging valuable capital equipment. Ultimately, 'liberated areas' were to be created by winning and retaining control of tracts of country freed of all foreign capital.

The main areas of primary production in Malaya were generally remote from the towns and vulnerable to attack. British managers were in the frontline of insurgency. The experience was a harrowing one and the strain 'caused some elderly planters to retire prematurely, and some of the younger men gave up a planting career for a safer billet in other countries'.⁹ The Malayan agency houses thus faced severe difficulties in recruiting and maintaining European staffing levels. Sir John Hay, managing director of the premier British agency house, Guthrie & Co., informed the Colonial Office in June 1951 that three of his senior employees had recently resigned—a soil analyst, a geneticist and an engineer.¹⁰

The profound and growing sense of insecurity extended beyond the immediate vicinity of MCP attacks. The entrepot traders, bankers and shippers of Penang and Singapore were equally anxious. At a meeting with the Penang Chamber of Commerce in May 1950, Labour Colonial Secretary, James Griffiths, was told that: 'HMG hitherto did not appear to have appreciated fully the seriousness of the position. There was a need for a more ruthless attitude.' In Singapore, at a gathering of business leaders at the Hong Kong Bank, grave concern was expressed at the general situation in Malaya. Not only was fresh capital unlikely to be brought in, it was also evident that capital was being withdrawn from the country. The share market revealed two related trends: the selling-out of first-class Malayan industrial securities, mostly to Chinese buyers, and the reinvestment of money made in Malaya in South Africa and Australia.¹¹

In London, business representations to government concerning the security situation in Malaya were commonplace. The Rubber Trade

⁸ This chapter only covers the period, 1948–57, when the British government in London and the colonial government in Kuala Lumpur were responsible for the conduct of counter-insurgency.

⁹ *Financial Times*, 6 Jan. 1950.

¹⁰ CO 717/197, Letter to Sir Hilton Poynton, 5 June 1951.

¹¹ CO 537/6090, 'Summary Notes of Official Interviews given by the Secretary of State at Penang on 31 May 1950'; 'Notes of a meeting, 18 May 1950'.

Association of London (RTAL) was particularly troubled by the possible withdrawal of insurance cover in Malaya, should the position deteriorate, and along with other business interests urged government to institute a guarantee scheme. Concern reached such a point in the City that in January 1949 the financier Anthony de Rothschild approached the Export Credit Guarantees Department (ECGD) and the Deputy-Governor of the Bank of England about an advance of £250,000 which Rothschilds gave to the rubber dealers Hecht, Levis and Kahn Ltd whose chairman and managing director was the Tory MP, Walter Fletcher.¹² Instability and insecurity during the emergency, then, affected the entire nexus of British business operations in Malaya.

The adverse economic consequences of disruptions in the supplies of Malayan rubber and tin were well known to the imperial government. Malaya was significant in the defence of sterling and the reconstruction of the domestic economy at a time of economic crisis which lasted from 1947 to 1952. Malaya remained a vital asset to the sterling area throughout the 1950s. As Sir John Hay emphasized in a BBC Radio Broadcast, just four days after the emergency had been declared:

Malaya's rubber production . . . produces dollars to an amount that exceeds in total value all domestic exports from Britain to the US . . . if, for any reason, the operations of the great rubber industry are interrupted or seriously impaired, Britain's dollar situation would be rendered more acute than ever. This country would then have less food, less clothes, and there would be fewer dollars with which to buy raw materials—and that would mean unemployment. All of us are thus deeply concerned in what is happening in Malaya.¹³

Insecurity in Malaya threatened the prospects for colonial development through the agency of British private enterprise. The diversification of the Malayan economy through the expansion of the heavily capitalized palm oil industry, for example, was dependent in large measure on money supplied by the City. A 'general improvement in the security position' was a prerequisite for the replanting of rubber estates with oil palms.¹⁴ Similarly, a Colonial Office mandarin consid-

¹² Bank of England Archive, Threadneedle St. (hereafter BoE), EC 5/216, Note by Deputy-Governor Cobbold, 3 January 1949 enclosing letter from Rothschild, 3 Jan. 1949 and 'Aide memoire on Hecht, Levis & Kahn'.

¹³ Text of Radio Newsreel and Overseas Circuits Broadcast, 22 June 1948 on Rubber Growers' Association Council Minutes (hereafter RGACM), 59, 19 July 1948.

¹⁴ CO 717/206/3, Savingram from Federation, 4 April 1950.

ered that for the Malayan rubber industry to be made more competitive through investment in high-yielding trees ‘everything will depend on the progress of the anti-bandit campaign’.¹⁵ British companies in Malaya were an essential source of revenue for the Federation government, as well as significant employers of labour and as such they were an important source of economic and political stability. The maintenance of British business in Malaya therefore commanded a high priority for both imperial and colonial governments.

Indeed, this broad mutuality of interest between government and business might lend credence to those interpretations which have identified an explicit link between British capitalism and counter-insurgency during the Malayan Emergency. It will be argued here, however, that these interpretations are too simplistic. The imperial government certainly had an interest in maintaining Malaya’s dollar earnings, but this did not automatically lead to unqualified support for British business interests. As we shall see, government decision-making was rarely influenced by business dictates; the protection provided by government for British enterprises was often regarded as inadequate; and British firms suffered both higher taxes and the costs of defending private property.

The Decision-making Process

The necessity of counter-insurgency for both government and business certainly ensured contact between the two at all levels throughout the emergency. In the metropolis, the usual form of contact with government was a delegation of leaders of the Malayan commercial associations. These met with the heads of the Colonial Office—the Secretary of State, Minister of State or Under Secretary of State—usually in the presence of senior officials. Other Whitehall departments would not be concerned except when broader issues were involved. Serious matters were then passed up to the Cabinet by the Colonial Secretary. In parallel, in Kuala Lumpur, high-level meetings took place at King’s House between the High Commissioner and European representatives of planting, mining and mercantile interests. Additionally, ministerial visits to Malaya afforded commercial operators ‘on the spot’ representation at a higher level: James Griffiths and his Tory successor, Oliver Lyttelton, had several meet-

¹⁵ *Ibid.*, Minute by J. B. Williams, 25 May 1950.

ings with business groups during their respective tours in 1950 and 1951. As well as these channels, British commerce had access to policy-makers through their representatives in the federal and state legislative and executive councils in Malaya. In London, a number of MPs spoke on behalf of Malayan business interests in the Commons and Lords.

Representatives of British firms were also involved in the direction of security operations in Malaya. The Internal Security Committee, established in June 1948 as a special section of the Federal Secretariat, included the secretary of UPAM and a representative of FMS Chamber of Mines as well as other government and service members. At state level, the chairman of the local planters' or mining association was represented on the State Liaison Committee. General Briggs' directive of April 1950 ordered the creation of a Supreme Federal War Council and a series of State and Settlement War Executive Committees (SWECs). Below these were the District War Executive Committees (DWECS). Initially, none of these committees had permanent business representatives, but after lobbying, the Federal War Council was broadened to include the chairman of the Pahang Planters' Association.¹⁶

Yet, despite these points of interaction, business attempts to pressurize government were generally unsuccessful and government-business relations were far from amicable. British business had remonstrated with government about 'law and order' long before the emergency was declared. Instability was an unwelcome consequence of the dislocations of war and reconstruction. The turmoil following the defeat of Japan created space for the growth of strong communist-dominated unions. Postwar shortages, inflation and declining real wages, combined with varying degrees of MCP intimidation, created a Malayan populace receptive to left-wing radicalism. In February 1946, British Military Administration officials warned European tin interests that a return to prewar employment conditions in the mines would be problematic since 'the organisation of Chinese miners had progressed considerably since 1941 and was now . . . subject to "political" influences'.¹⁷ Indeed, by the end of January 1946 all the western states of Malaya had either established General Labour Unions (GLUs) or preparatory committees, and on 15 Febru-

¹⁶ Short, *Communist Insurrection*, pp. 122–3, 239, 245, 273.

¹⁷ Arkib Negara Malaysia (hereafter ANM), Sel CA 112/45, 'Minutes of a Meeting of Representatives of Mining Companies Operating in Selangor held on 14 February 1946'.

ary the Pan-Malayan General Labour Union (later known as the Pan-Malayan Federation of Trade Unions) was founded in Singapore.¹⁸ In a period of labour shortages, the GLU vanguard had the potential to disrupt economic reconstruction. By 1946 it was evident to estate managers that the organized looting of the immediate ‘liberation’ period had been replaced by communist-led aggression. In March 1946, Frank Ascoli, chairman of Dunlop Plantations, returning from a visit to South-East Asia, stressed to Colonial Office, Foreign Office, Board of Trade and Treasury officials on the Rubber Consultative Committee in London that ‘the Chinese Communists were a considerable power and would do all they could because of their anti-British feeling to hamper the return of the estates into production’.¹⁹ In May, Sydney Palmer, President of the UPAM, addressed the Malayan government on subversion in the Tanah Merah area of Negeri Sembilan where some two to three thousand Chinese tappers were on strike. MCP-orchestrated activities included violent attacks on European estate personnel and ‘bodily injuries’ on labourers ‘who dare to disobey their orders’.²⁰ The official response to Palmer’s plea for action is indicative of the breakdown in government–business relations under the pressures of rehabilitation. Within an overstretched and overburdened administration there was a tendency to regard British business reactions to lawlessness as exaggerated. Significantly, whilst Palmer’s letter had been headed ‘*COMMUNISM*’ the reply from the Malayan Union secretariat was headed ‘*Labour Troubles in Rubber Areas*’.²¹

In October and December 1946 and again in February 1947, the MCP called strikes which seriously threatened the position of British capitalism in Malaya. Business leaders saw the Governor of the Malayan Union, Sir Edward Gent, on 10 February 1947 and the Parliamentary Under Secretary of State for the Colonies, David Rees-Williams, two days later in Penang. They pressed for strong action including the immediate registration of all unions, so that government could more easily scrutinize their activities, and the banishment of ‘subversive elements’.²² Following serious disturbances in

¹⁸ The best account of the labour unrest and government–employer reactions to it in the period 1946–48 remains M. R. Stenson, *Industrial Conflict in Malaya. Prelude to the Communist Revolt of 1948* (Kuala Lumpur, 1970).

¹⁹ BT 64/1878, RCC (46) 1 Amendment, 21 March 1946.

²⁰ ANM, MU 1251/46, Letter to Chief Secretary, 14 May 1946.

²¹ *Ibid.*, Ian Fraser, Chief Secretary to Palmer, 28 May 1946.

²² Stenson, *Industrial Conflict*, pp. 156–7.

Kedah, the British Association of Straits Merchants made representations to the Colonial Office in March 1947 on the matter of 'growing Labour unrest throughout Malaya'.²³ But the government reaction to these representations was lukewarm. Gent, for example, emphasized the need for compromise and negotiation and he rejected any form of direct confrontation with political agitators, conceding only the enforcement of union registration.²⁴ According to Michael Stenson, the regulations and restrictions placed on the unions in the course of 1947 proved that government was 'increasingly sympathetic' to the commercial view.²⁵ However, there remained no real meeting of minds between businessmen and government officials. The chairman of the Incorporated Society of Planters later recalled that Gent had responded to protestations about the murder of an estate manager in Johor in October 1947 by dismissing the planters' representatives as 'alarmists'.²⁶ Ignorance of MCP intentions, the liberalism of officials like Gent, and the progressive vision of the Colonial Office under Labour ministers, conspired to produce government attitudes and behaviour at odds with the wishes of colonial business leaders.

But neither colonial liberalism nor metropolitan socialism seemed capable of providing a remedy for Malayan instability. During May and June 1948 the MCP-dominated unions launched another wave of strikes which frequently erupted into violence. On 31 May, in the Federal Legislative Council, Aubrey Wallich, then chairman of the FMS Chamber of Commerce, reiterated the view common in business circles that the communists were to blame. Officials were severely criticized for not acting more forcefully to suppress 'lawlessness and criminal action' which had led in turn to the 'suspicion that the government was unable to stop it'.²⁷ On 8 June, Gent, now High Commissioner for the Federation of Malaya, received a delegation of European representatives of rubber, tin and trading interests. Business feeling was running high regarding the 'state of lawlessness'. The deputation demanded an assurance from Gent that

²³ RGACM, 58, 31 March 1947. Appendix 2. Copy of Letter from BASM to RGA, 12 March 1947.

²⁴ Stenson, *Industrial Conflict*, pp. 156–7.

²⁵ *Ibid.*, p. 169.

²⁶ Institute of South-East Asian Studies, Singapore, Tan Cheng Lock papers, TCL V/138, C. T. de B. Whitehouse to Tan Cheng Lock, 18 June 1951. Whitehouse was so disenchanted with the colonial regime that he now wished to join the Independence of Malaya Party!

²⁷ CO 717/210/2, Telegram from Federation, 4 June 1948.

government would use all legal powers to deal with the situation, including banishment. They asked for a guarantee that sufficient police and military forces would be made available to restore order. Ralph Hone, the Deputy Commissioner-General, attended the meeting and telegraphed London that, whilst Gent ‘dealt with these points in his usual masterly way’, the deputation ‘gained but little satisfaction’.²⁸ On 12 June, at an extraordinary meeting of the Executive Council, Wallich painted the Labour Colonial Secretary in London, Arthur Creech Jones, as the real culprit. Wallich contended that the current troubles could have been avoided if the advice of the British business community had been heeded at the time of the Kedah riots in February 1947.²⁹

In the early summer of 1948 the employers did receive some government help in combating labour unrest. On 30 May, R. G. Balan, a key organizer of strikes in Perak, was arrested under restricted residence order. Restrictive amendments to the Trade Union Ordinance were rushed through the Legislative Council on 31 May.³⁰ However, despite the warnings from business leaders, there remained a lack of urgency in government circles. The Colonial Office now accepted that there was a ‘communist plot’ in Malaya; a belief which, as the telegrams London was now receiving from the Federation suggest, Gent had come to share. For example, the news of Wallich’s speech of 31 May in the Legislative Council, as well as other representations concerning security, prompted a meeting of senior officials in the Colonial Office. It was agreed that reports from Malaya:

showed that a concerted attack was being made by the communists and organisations through which they work on the authority of the government . . . the Malayan public had lost confidence in the ability of government to protect them, and were insistently demanding stronger action.

But this meeting, whilst discussing the introduction of a ‘Public Security Ordinance’ enabling the deportation or detainment of political undesirables, would not countenance banning the MCP.³¹ It was not until 10 June that ministers and mandarins agreed to recommend ‘the enactment of a law enabling the High Commissioner . . . to declare a state of emergency’.³² In the event, the hand of local

²⁸ *Ibid.*, Telegram from Commissioner-General’s Office, 10 June 1948.

²⁹ Short, *Communist Insurrection*, pp. 76–7.

³⁰ Stenson, *Industrial Conflict*, pp. 224–5.

³¹ CO 717/210/2, Minute by O. H. Morris, 8 June 1948.

³² *Ibid.*, Minute by Morris, 13 June 1948.

government was forced by the pressure of events. On 16 June three British estate managers were murdered in the Sungei Siput area of Perak. According to Richard Stubbs, the sustained criticism of the governments' weakness in handling the challenge to law and order now told and made an official response 'virtually mandatory'. A state of emergency was declared in parts of Perak and Johor and extended to the whole of Malaya on 18 June.³³

Sinister motives are presumed to have lain behind these developments. Stenson has argued that in the course of 1947–48 there had been a steady 'reassertion of government–employer authority' which had been temporarily lost in the anarchic conditions of the reoccupation. He asserts that there was a restoration of cooperation between business and government and that the emergency lay in a 'conflict . . . between one form of authoritarianism and another': the employers 'had consistently advocated and practised policies which left the MCP and many waverers with no alternative but rebellion'.³⁴ This line of argument might support both the 'neo-colonialist' and the 'gentlemanly capitalist' models. Yet, at no point did British business leaders in Kuala Lumpur or London actually call for the declaration of an 'emergency'. Rather, they wished to see existing powers used more decisively, and were frustrated because imperial and colonial government responses to their demands were limited. Nor had government–business relations been cosily re-established by the summer of 1948. Indeed, the alleged failure to provide protection against the MCP led a deputation from Malaya's most powerful commercial organization in London, the Rubber Growers' Association (RGA), to visit the Colonial Secretary in August 1948 to discuss 'ways and means of improving relations' between government and business.³⁵ The origins of the Malayan Emergency lay not in a conspiracy between business and government but in the often uncoordinated decisions and actions of MCP militants and official responses to them.³⁶

³³ *Hearts and Minds*, p. 67.

³⁴ Stenson, *Industrial Conflict*, p. 233.

³⁵ RGACM, 60, 4 Oct. 1948, 'Report of General Purposes Committee'.

³⁶ Anthony Short's 'Taylorian' approach sees the origins of the emergency in terms of a series of miscalculations, 'if not outright mistake[s]' on the part of the MCP and government. *Communist Insurrection*, especially p. 65. Tony Stockwell also illustrates the complexities on both sides and, hence, the pitfalls of explaining the origins of the emergency 'in the simple terms of either "communist plot" or "colonial conspiracy"'. 'Origins of the Malayan Emergency'.

Moreover, the case for business–government complicity is doubtful, given that the emergency did not bring immediate satisfaction to the commercial community. Demands and remonstrations continued. A sense of frustration also continued because it was believed that an effective campaign against the MCP could not be launched without the removal of Gent from office. The High Commissioner's progressivism was despised and viewed as symptomatic of the values of utopian Whitehall and socialist Westminster. His plea to keep a sense of proportion and avoid concluding that all trade unionists were subversives was interpreted as one more sign of weakness.³⁷ On 22 June, a delegation of metropolitan planting, mining, mercantile, banking and insurance interests met the Labour Colonial Secretary, Arthur Creech Jones, and his deputy, Rees-Williams, at the Colonial Office, demanding still stronger measures in Malaya, including the outlawing of the MCP. The Colonial Secretary was prepared to accept that 'most of this trouble is not of the ordinary industrial dispute kind', and informed the delegation that the Colonial Office had now given Gent new powers to amend the trade union regulations to outlaw professional agitators. But this was not enough to restore confidence in Gent. Hedley Facer, UPAM vice-president, who had flown from the East especially for this meeting, concluded that 'we are glad to hear this afternoon your proposals and promises, but we are still apprehensive that even given these powers His Excellency won't use them'.³⁸

Just four days after the meeting, the High Commissioner was recalled for talks in London. Tan Cheng Lock, the Chinese political and business leader, was convinced that this action was 'wholly prompted by the strong pressure from European unofficial quarters and direct representations made to the Colonial Office by European vested interests and big business connected with Malaya'.³⁹ This, however, was not the whole truth. Creech Jones had consulted Attlee about the matter some weeks before he met the delegation,⁴⁰ and it seems the precipitating factor was Gent's disagreement with Malcolm MacDonald at a series of meetings in Kuala Lumpur. MacDonald wished to prioritize the economy and the restoration of business confidence and so ensure the protection of the rubber estates, tin

³⁷ Stenson, *Industrial Conflict*, p. 226.

³⁸ CO 717/172, 'Text of a Meeting of Business Interests with Secretary of State and Under-Secretary of State, 22 June 1948'.

³⁹ CO 537/3686, Enclosure in Telegram from Federation, 4 July 1948.

⁴⁰ *Ibid.*, Minute for PM, 30 June 1948.

mines and transport systems: Gent did not.⁴¹ Yet, the Colonial Secretary was not simply supporting Malayan business in dismissing the High Commissioner. He had in mind Malaya's significance for the UK economy as a whole. What mattered was Malayan dollar earnings in the wake of the financial crisis of August 1947. Indeed, Labour's colonial ideologue reminded the Cabinet on 1 July 1948 that Malaya 'is by far the most important source of dollars in the colonial empire and it would gravely worsen the whole dollar balance of the sterling area if there were serious interference with Malayan exports'.⁴²

The arrival of the new High Commissioner, Sir Henry Gurney, in the Federation coincided with a steady improvement in the security situation. Thirteen European planters had been murdered between May and October 1948. The number of murders fell to five in the period November 1948 to April 1949, and between May 1949 and October 1949 no Europeans were killed by guerrillas. As a result, business leaders were calmed and there were no major delegations of protest during 1949. But the intensification of MCP activity during the latter half of 1949 saw four planters murdered between November 1949 and April 1950. There were eleven more between May and October 1950.⁴³ In December 1950, the RGA presented the Colonial Office with a series of reports from local planting associations throughout Malaya. In all but one case, that of Pahang, a deterioration in the security situation was alleged.⁴⁴ Earlier in April 1950, James Griffiths received a business delegation which likewise urged tougher and more effective measures.⁴⁵

Gurney, unlike Gent, showed a willingness to work with British firms in combating insurgency. To his mind, government and business were both to blame for the failure to eradicate terrorism. Sir Henry, for instance, wished the rubber companies to help themselves by installing more radio loudspeakers on estates to broadcast anti-MCP propaganda. They might also resettle workers away from centres of radical politics.⁴⁶ Moreover, bolstering the authority of

⁴¹ Short, *Communist Insurrection*, pp. 114–18.

⁴² CAB 129/25, CP (48) 171, 'Memorandum by Colonial Secretary, 1 July 1948', cited in John Darwin, 'British Decolonization since 1945: A Pattern or a Puzzle?', *Journal of Imperial and Commonwealth History*, XII, 2 (Jan. 1984), p. 197.

⁴³ CO 537/5979, Copy of letter to Sullivan, RGA from H. Munro Scott, UPAM, 2 Nov. 1950.

⁴⁴ *Ibid.*, Sullivan to Watson, 14 Dec. 1950.

⁴⁵ *Ibid.*, 'Memorandum of a Meeting with the Secretary of State, 10 May'.

⁴⁶ *Ibid.*, Telegram from Federation, 27 Jan. 1950.

moderate trade unions was seen as an essential counter to communism.⁴⁷ Gurney was determined to increase the contact between business and the local government. Early in 1951, Gurney and Director of Operations, General Briggs, received a deputation of local business leaders at which Briggs outlined his resettlement plan; the first phase of which had begun in Johor in June. The objective was to restore 'security' through Chinese squatter resettlement by cutting off the MCP guerrillas from food and intelligence supplies.⁴⁸

Ultimately, however, Gurney, the Colonial Office and Labour ministers failed to inspire confidence within British business circles in the metropole and the periphery during 1950 and 1951. James Griffiths toured Malaya in May and June 1950 and had several meetings with business lobbyists.⁴⁹ His report to Cabinet recommended the intensification of counter-insurgency operations, full support for the Briggs plan, reinforcements for the police and administration, repatriation of detainees, and the stepping up of anti-communist propaganda.⁵⁰ But such measures took time to show positive results in the face of continued MCP insurgency. At a meeting in London in December 1950 another delegation pressed Griffiths for the immediate introduction of military rule.⁵¹ Martial law had been rejected at Cabinet in April 1950.⁵² A Colonial Office study noted the consequential problems in Palestine (such as the difficulty of finding military personnel to take over judicial functions).⁵³ The persistent calls for firmer action, nevertheless, indicate the general lack of confidence felt in the government's ability to restore order.

Anxieties were heightened by the international situation. The plight of business interests in China following the triumph of communism was fresh in mind. The People's Government had moved rapidly to establish complete control of foreign trade and withdraw

⁴⁷ In 1950 there were, according to the High Commissioner, 'still some estates on which Trade Unions are regarded with suspicion and endeavours of Trade Union leaders have been rebuffed' [*ibid.*].

⁴⁸ CO 537/7265, 'Memorandum of a Meeting of a Deputation of Leading Members of Commercial Interests in Malaya, 11 January 1951'. For a fuller account of the Briggs Plan, see Short, *Communist Insurrection*, pp. 237–9.

⁴⁹ Records of these meetings are in CO 537/6090.

⁵⁰ CAB 129/40 CP (50) 25, 13 June 1950; CAB 128/17 CM 37 (50) 1, 19 June 1950.

⁵¹ CO 537/7265, 'Memorandum of a Meeting with the Colonial Secretary, 19 December 1950'.

⁵² CAB 134/497, Malaya Committee, 2nd Meeting, 24 April 1950.

⁵³ CO 537/4773, 'Draft Memorandum on the Implications of a Declaration of Martial Law', cited in Stubbs, *Hearts and Minds*, pp. 118–19.

all privileges from foreigners.⁵⁴ Moreover, China's 'long and virtually indefensible' frontier with Burma and Indo-China threatened those rubber-producing areas, and it was feared that 'means will be found to stimulate communist activities in . . . Malaya and Indonesia, where there are large Chinese sections of the population'.⁵⁵ By late 1950 the Cold War had spread to Asia as a result of Chinese intervention in Korea. As early as May 1950, Lord Milverton, President of the Association of British Malaya, stated that Britain was 'fighting a war in Malaya' and that it was not simply a case of 'intensive domestic disturbance in which the British government was rendering assistance'. His proto-domino theory was that a communist victory in Malaya threatened the whole of British South-East Asia including New Zealand and Australia.⁵⁶ It is not surprising that in July 1951 the Chartered Bank refused to subscribe to a Malayan government bond issue of M\$32 million because of 'a lack of confidence in the political future of Malaya and in the general situation in South-East Asia'.⁵⁷

Moreover, within Malaya, Gurney's assassination in October 1951 offset any positive effects of the resettlement programme. The expatriate community was further demoralized. As Short has written:

it was the worst of times. A month after Gurney's ambush the guerillas inflicted on the security forces their heaviest weekly total of casualties. More important, the government's emergency policy appeared to have lost all direction by the end of 1951. Gurney's death was followed by Briggs' retirement in December . . .⁵⁸

According to Dunlop's Chief Executive in Malaya, government was 'like a sailing ship in a calm sea'. An 'energetic policy' was needed 'most urgently'.⁵⁹ Dunlop had already shown that it took a dim view of the prospects for political stabilization by locating latex production facilities in Sri Lanka, and the company's top policy-makers now

⁵⁴ J. Osterhammel, 'British business in China, 1860s to 1950s', in R. P. T. Davenport-Hines and Geoffrey Jones (eds), *British Business in Asia since 1860* (Cambridge, 1989), pp. 212–13.

⁵⁵ Chairman's Address at RGA Ordinary General Meeting of 31 March 1950 reprinted from *The Times*, 3 April 1950.

⁵⁶ CO 537/5979, 'Memo of Meeting, 10 May 1950'.

⁵⁷ CO 717/186/5, Godsall to Bourdillon, 31 July 1951.

⁵⁸ Short, *Communist Insurrection*, p. 305.

⁵⁹ CO 967/240, Donald Hawkins to Ascoli, 10 Nov. 1951 enclosed in Sir Clive Baillieu to Lyttelton, 21 Nov. 1951.

began to petition the UK government for support for the establishment of a domestic synthetic rubber industry.⁶⁰

A delegation of businessmen which met the new Conservative Secretary of State for the Colonies, Oliver Lyttelton, and his Minister of State, Alan Lennox-Boyd, called for ‘the appointment of someone of the very highest prestige, possessing very much greater powers than had been given to the late High Commissioner or to General Briggs . . .’⁶¹ When Lyttelton visited Malaya towards the end of 1951, he met with business leaders in Kuala Lumpur who declared they had completely lost confidence in the police. They wished for a man of the ‘highest integrity and standing’ to be appointed as High Commissioner; Mountbatten, they felt, would be an ‘excellent choice’.⁶²

Lyttelton had long-standing connections with British business in Malaya. In 1937 he had succeeded to the chairmanship of the London Tin Corporation (and its Malayan subsidiary, Anglo-Oriental). He was a close acquaintance of Sir Clive Baillieu, chairman of Dunlop, who had run the Combined Raw Materials Board in Washington during the war, reporting to Lyttelton as Minister of Production. In November 1951 Lyttelton discussed the emergency privately with Sir Clive. At this interview, Sir Clive emphasized that the ‘vast areas of Suez’ constituted ‘the raw material strategic axis of the western world’. These ‘supplies of oil, manganese and mica, of rubber and tin’ were ‘essential for the preservation of the existing social and economic order’. In the autumn of 1951 Dunlop, as we shall see in the next section, was faced with communist-orchestrated strikes on its estates in Negeri Sembilan which endangered the supply of its principal raw material. Baillieu had gained the impression when in Malaya that the emergency ‘did not take *first place* in present policies’ (Sir Clive’s emphasis). The extent to which British armed forces and civilian personnel had been diverted ‘to contain a relatively small force of bandits’ suggested ‘grave weakness in planning, in execution, in equipment and supply’. What was

⁶⁰ Nicholas J. White, ‘Government and Business in the Era of Decolonization: Malaya, 1942–57’ (University of London, Ph.D. Thesis, 1993), pp. 217–20.

⁶¹ CO 1022/39, ‘Memorandum of a Meeting with Secretary of State on 15 November 1951’.

⁶² British Association of Malaysia Historical Collection, Royal Commonwealth Society Library, II/10, ‘Notes of a Meeting Between the Colonial Secretary and representatives of UPAM etc. at King’s House on 3 December 1951’, enclosed in Sullivan to Shearn, 21 Dec. 1951.

required was much greater coordination between government, military, police and civilian (i.e. business) operations. Anticipating General Templer's 'hearts and minds' approach in Malaya, Sir Clive called for a total effort on all fronts with policies in the 'constitutional, economic and social field . . . subordinated to the needs of the emergency'.⁶³

The Conservative party was generally more receptive to the demands of British capitalism in Malaya. Tory MP and rubber trader, Walter Fletcher, reported having had a 'very pleasant talk' with Lyttelton before he left for the Far East.⁶⁴ The appointment of General Sir Gerald Templer as head of both civil and military operations and the dismissal of Nicol Gray as chief of police in February 1952, may be interpreted as moves by a sympathetic Colonial Secretary to restore faith in government amongst the British business community.

This is not to say that Lyttelton and the new Conservative administration were mere tools of British business in Malaya. Lyttelton surely would have foreseen the need for 'a man' and 'a plan' in the 'contest' in Malaya between what Field Marshal Montgomery called 'East and West, between communism and democracy, between evil and christianity'.⁶⁵ Indeed, the Colonial Office, in restructuring the Federation's governance, had come under pressure from the Chiefs of Staff, the Ministry of Defence and the Foreign Office as well as businessmen and business associations. There was, moreover, a coincidence between business and government interests. Any interruption to commodity production in Malaya would harm the fragile domestic economy. In the very first Cabinet paper of the new government, the Chancellor of the Exchequer, R. A. B. Butler, warned that 'we are in a balance of payments crisis worse than in 1949, and in many ways worse than 1947'.⁶⁶ As Dunlop's Chairman had made plain to the Colonial Secretary in London: 'an early and effective improvement in the present situation in Malaya is equally vital to the solution of the political and financial problems confronting HMG'.⁶⁷

⁶³ BT 258/47, Baillieu to Swinton, 21 Nov. 1951 enclosing Copy of Note for Lyttelton, 13 Nov. 1951. No record of this discussion survives in the CO files.

⁶⁴ CO 967/244, Letter from Fletcher, 19 Nov. 1951.

⁶⁵ PREM 11/121, Montgomery to Lyttelton, 27 Dec. 1951; 'Success in Malaya. Note by Montgomery', 2 Jan. 1952.

⁶⁶ CAB 129/48 C (51) 1, 'The Economic Position: Analysis and Remedies. Memorandum by the Chancellor of the Exchequer, 31 October 1951'.

⁶⁷ BT 258/47, Note by Baillieu, 13 Nov. 1951.

General Templer certainly experienced a good measure of success following his arrival in Malaya in February 1952. In many respects he was very fortunate: he arrived when the Briggs plan was beginning to have positive results, when the Korean war boom was swelling Federation coffers, and following a crucial decision by the MCP to abandon indiscriminate terrorism.⁶⁸ Even so, Templer proved a highly visible and vital symbol of confidence for the British business community. As a young planter wrote home in May 1952:

General Templer is doing a grand job . . . He gets around and pops up at any time and any place and so keeps the government officials right up on their toes. I . . . feel that this emergency is now beginning to be won.⁶⁹

In March 1953, Pat Coghlan, head of the secretarial group Eastern Industries and RGA chairman, reported, after visiting Malaya and meeting Templer, that

things were showing a very great improvement from a security point of view, and despite the fall in the price of rubber, people were more cheerful and there was a definite feeling of confidence that the emergency was being overcome. It was now possible to travel on the roads without an armed escort.⁷⁰

Fifteen Europeans working in the tin industry had been murdered between June 1948 and December 1951 whereas in the next three and a half years only one further European life in the tinfields was lost to insurgency.⁷¹

None the less, the emergency was still not over and government decisions continued to invoke business criticism. Templer was greatly assisted by a budget surplus generated by the freakishly high commodity prices of 1950–52, but as the subsequent downturn in demand for Malaya's exports threatened a large budget deficit for 1954, the General warned estate and mining leaders in May 1953 of a reduction in the Special Constabulary which defended British

⁶⁸ See Stockwell, 'Insurgency and Decolonisation', p. 75.

⁶⁹ CO 1022/44, Copy of letter from Harvey Paterson to parents, May 1952, enclosed in J. K. Swaine to Campbell, 17 June 1952. The General, however, made it clear he was not serving British capital. In March, Templer, recounting briefings in the metropole, told a planter on Perak's SWEC that he had 'spent four or five days in London listening to a load of utter balls from the rubber companies'. [Jim Crawford, cited in J. Cloake, *Templer, Tiger of Malaya* (London, 1985), p. 266.]

⁷⁰ RGACM, 63, 30 March 1953.

⁷¹ CO 1022/21 and CO 1030/14, 'Reports of Casualties and Damage in the Tin Mining Industry'.

employees and installations.⁷² Anxiety never again reached the 1950–51 level, but by the latter half of 1954 British managers were again complaining of inadequate security. One planter, serving on the Kuala Selangor DWEC, regarded MCP activity as ‘disquieting’ if not ‘stupendous’. The cutbacks which Templer introduced were seen to threaten ‘a general relapse in the state of the emergency . . . just at a time when some fresh impetus is needed’.⁷³ Although the visit to Malaya of Lyttelton’s successor, Alan Lennox-Boyd, in August 1955, was not greeted by business remonstrations concerning ‘law and order’, a few months earlier the UPAM had taken ‘a despondent view of the war against the communists’. There were fewer incidents, but MCP attacks were now ‘more efficiently organised’. The ‘Malayan problem’ was ‘anything but solved’.⁷⁴ As self-government approached, business fears were exacerbated by the possibility of a ‘political settlement’ which legitimized the MCP or paved the way for a regime in which it would prove ‘impossible’ to ‘arouse again the interest now focused on the menace to the estate and mining populations’.⁷⁵ A greater confidence had been restored under Templer, and for this the business community was duly grateful. Yet it cannot be said that the colonial business elite was ever fully satisfied with the government’s counter-insurgency policies and activities. The attitude was that more could and should have been done. Business and government never completely saw eye-to-eye.

The Protection of British Business

Frustration with the government decision-making process went hand-in-hand with dismay at the degree of physical protection afforded expatriate business. On 22 June 1948 Malcolm MacDonald, at a meeting in Kuala Lumpur with Gent, Gimson (the Governor of Singapore), the GOC Malaya and the heads of the police and intelligence, found himself in a minority of one when he expressed

⁷² CO 1030/17, ‘The Protection of Estates and Mines: Policy Resulting from the High Commissioner’s Meeting with Planters and Miners, 8 May 1953’.

⁷³ ANM, Harry Traill papers, SP 95/B/24, Draft Letter to Secretary, Selangor Coast District Planting Association, c. October 1954. In January 1955, Templer’s successor as High Commissioner, Sir Donald MacGillivray, noted widespread disquiet amongst European managers [CO 1030/403, Circular Despatch, 26 Jan. 1955].

⁷⁴ Reported in *Manchester Guardian*, 13 April 1955.

⁷⁵ CO 1030/17, Swaine to Lennox-Boyd, 27 March 1956.

the view that confidence could only be restored if troops or police were located at all estates and mines. The Commissioner-General estimated that at least ten thousand men would be required for this purpose. Such a deployment would have involved the entire police force of the Federation and hence MacDonald proposed that the army should take on static guard duties, at least in the short term. Gent and the military, on the other hand, were averse to using trained troops in a static role: the only way to deal with the present state of affairs was, they claimed, through strong offensive measures.⁷⁶ MacDonald's quarrel with Gent may have led to the latter's dismissal, but it was the Commissioner-General who ultimately lost the argument. When, four years later, J. K. Swaine of the Perak Rubber Plantations submitted plans to the colonial government for a perimeter fence to cover all cultivated areas in the Lalong, Lassah and Sungei Krudah neighbourhoods, the official reply came back loud and clear: 'effectively to patrol a fence erected to the scale proposed would entail the deployment of very considerable security forces which are far more usefully employed in an offensive role'.⁷⁷ In other words, the *raison d'être* of the military and the regular police in the Malayan theatre was to defeat banditry, not to defend dollar-earning estates and mines.

Yet, precisely because it was impossible to offer military or regular police guards to individual estates and mines, the Special Constabulary was formed on 26 June 1948; a task which has been described as the 'largest, the most ambitious, and possibly the most crucial . . . undertaken by government in the opening phase of the insurrection'.⁷⁸ The original intention was for this force of voluntarily recruited and mainly Malay armed guards to be ten to fifteen thousand strong, but at its peak in 1953 the force numbered forty-two thousand men. In the early stages, training was in the hands of the planters and miners themselves and officers seconded from the civil government. Later instruction was provided by the Palestine Police sergeants.⁷⁹

Notwithstanding the effective deterrent supplied by Special Constables (SCs) in many locations and instances, a number of firms still clamoured for a higher level of protection. Official responses to such

⁷⁶ Short, *Communist Insurrection*, pp. 114–18.

⁷⁷ CO 1022/44, Swaine to Lennox-Boyd, 31 Jan. 1952 and Telegram from Federation, 1 May 1952.

⁷⁸ Short, *Communist Insurrection*, p. 124.

⁷⁹ CO 537/3694, Telegram from Federation, 2 Aug. 1948.

demands were most often insensitive and detached. One Colonial Office official minuted in March 1949:

statements recently made by the managers of estates and mines in Malaya, are far more alarmist than facts warrant. Many of these men are suffering from severe physical and mental strain, being compelled to spend much of their time cooped up behind barbed wire with rifles always to hand, and it is natural in such circumstances that they should size up the situation as they do.⁸⁰

The Colonial Office alerted the Federation in October 1950 that a number of complaints had been made by rubber companies about inadequate security. The imperial government, it was said, could not risk 'creating the impression that [it was] indifferent to the difficulties of the planting community'. D. C. Watherston, Secretary of Defence and Internal Security, replied firmly that wherever possible the colonial government did not want to divert troops simply 'to carry out "fire brigade" work'.⁸¹ Official aloofness was reinforced by the knowledge that in certain areas British managers were obtaining protection from the *imperium in imperio* just a few yards away within the jungle. Indeed, the administration argued that the suggestion made by one agency house in December 1948 for intensification of police and military operations on estates in the Wangi and Kepis areas of Negeri Sembilan would 'serve no useful purpose at all' while 'owners are paying squeeze money'.⁸² One British planter, J. Watts-Carter, was actually arrested and tried for arranging his security from terrorist quarters.⁸³ But the fact that frontline executives were resorting to these actions only highlights the limited protection provided by the civil power in some districts of Malaya.

In severe circumstances troops were redeployed to protect badly hit mines and estates. For example, between February and March 1951 a platoon of first Seaforths was based at the Jabor Valley estate in Terengganu following an ambush there.⁸⁴ The Anglo-Java Rubber Co. was given special protection by one jungle company at its Sungei Papan Estate in South Johor following correspondence with the Colo-

⁸⁰ CO 717/169/3, Minute by Roberts, 11 March 1949.

⁸¹ CO 537/6090, Gidden to Watherston, 19 Oct. 1950 and reply of 1 Nov.

⁸² ANM, FS 11395/48, Minute by Shaw for Watherston (quoting Chief Police Officer, Negeri Sembilan), 11 Jan. 1949 in response to letter from Cumberbatch & Co., 11 Dec. 1948.

⁸³ See *The Times*, 27 April 1951.

⁸⁴ CO 717/197, Bukit Mertajam Rubber Co. Ltd. to Secretary of State, 8 Jan. 1951 and reply from Melville.

nial Office and colonial government.⁸⁵ The terrorists' shift in strategy from 'military' to 'political' struggle in the autumn of 1951 presented a new set of security problems. In 'mobilizing the masses' the MCP were in part returning to the 'united front' tactics of 1946–48: inspiring many strikes, especially in Negeri Sembilan. In response to this, the government agreed that more military and police forces should be diverted to the protection of private property from 'bandit propagandist infiltration'. A total of twenty-five European-owned estates in the Bahau area were on strike at one time or another, including Dunlop's Ladang Geddes estate, the largest plantation in Malaya. In spite of the presence of a battalion of Gurkhas in and around Bahau, the threats made by guerrillas that workers would be nailed to trees if they did not strike succeeded in bringing out six to seven thousand Indian and Chinese tappers at the height of the troubles. Security forces in the area were increased and a troop of artillery stationed at Ladang Geddes. Curfews were strictly imposed while the police carried out extensive screening operations. The main task of persuading tappers to return to work was left to the civil authorities. Extensive use of mobile loudspeakers was made by officers from the Commissioner of Labour's Department and by 'known and trusted' Indian union leaders. By December 1951 the strikes had ended. Similar government action was taken early in 1952, when guerrillas urged labourers to strike at British-owned plantations in South Perak and North-East Selangor.⁸⁶

However, while the official intelligence summaries present a picture of smooth and swift actions to deal with the MCP's new tactics, it appears from business reports that many rubber estates were left without assistance for quite some time during the strikes of 1951–52. In November 1951, Donald Hawkins, chairman and managing director of Dunlop Malayan Estates, was quite perplexed by the slackness of the top administrators in Kuala Lumpur when he tried to rouse them into action. The worst offender was the Commissioner of Labour, F. V. Duckworth, whom Hawkins described as 'quite useless on an occasion of this sort'. Duckworth told Hawkins that the strikes were a 'security matter' and 'offered the excellent advice that the only way of dealing with the problem was to catch the bandits who were doing the intimidating!' Hawkins next turned to the Dir-

⁸⁵ CO 1022/44, Coghlan to Secretary of State, 11 Feb. 1952.

⁸⁶ CO 1022/43, 'Extract from Security Forces Weekly Intelligence Summary for the week ending 22 November 1951'; 'Extract from Secret Telegram from FARELF to the War Office received 11 February 1952'.

ector of Operations, General Lockhart, pointing out that 'unless this intimidation is stopped, it will spread like a bush-fire across the country' with 'huge areas out of tapping . . . potential food riots and other unpleasant consequences'. Yet, Dunlop's 'efforts to stir up any real enthusiasm in KL' continued to prove 'most disappointing'.⁸⁷ Likewise, on Anglo-Java's property in South Johor 'all the efforts of the authorities seem designed entirely to further their own ideas of a campaign against the terrorists, but in no way to assist the estate to carry on'.⁸⁸

As important to British business interests in Malaya as the physical protection provided by SCs and troop deployments was the psychological and financial protection provided by insurance. At a meeting between Creech Jones and the RGA in August 1948, businessmen voiced concern that the insurance companies which offered protection against 'riot or civil commotion' might rule that the situation in Malaya amounted to 'rebellion or insurrection' and consequently would reject claims arising from strikes and terrorist activities. To safeguard the interests of its members, the RGA requested that the Malayan authorities desist from using words such as 'rebellion' or 'insurrection' in public statements and official documents. It was made plain that if this approach failed the government would be asked to meet all claims for loss of life and property.⁸⁹ The commercial insurance market in Malaya was split between London and New York under so-called reinsurance arrangements. A view had to be taken on both sides of the Atlantic as to the exact status of the situation in Malaya. Neither the imperial nor the colonial government, however, was prepared to define the precise nature of the emergency. Newbould considered that a declaration to the effect that disturbances did not amount to more than riot and civil commotion . . . would raise grave doubts as to the legality of amount of force which police and HM forces had found it necessary to use on occasions for suppression of present disturbances in Malaya.⁹⁰

On the other hand, the Colonial Office viewed 'insurrection' as 'a rising of a substantial portion of the inhabitants of a country with

⁸⁷ CO 967/240, Hawkins to Ascoli, 10 Nov. 1951 enclosed in Baillieu to Lyttelton, 21 Nov. 1951.

⁸⁸ CO 1022/44, Extract from report of visiting agent, R. M. Skeet, 15 March 1952 in Coghlan to Secretary of State, 25 April 1952.

⁸⁹ CO 717/176/1, Telegram to Federation, 5 Aug. 1948.

⁹⁰ *Ibid.*, Telegram from Federation, 7 Sept. 1948.

a view to upsetting the government and it is doubtful whether such a state of affairs can be said to exist in Malaya'.⁹¹

This ambiguity greatly complicated insurance matters and dragged the Bank of England, the Treasury and the Board of Trade more deeply into emergency affairs. These agencies were deeply troubled by the implications for Malaya's export trade. The Colonial Office was at first indifferent to business demands, and at the ministerial level, Lord Listowel suggested in September 1948 that it was purely a commercial matter and that there was no reason for government to be involved.⁹² Exasperated by this attitude, the London rubber trade exploited its links with the exchange controllers at the Bank of England in the belief that they would pressurize the Treasury. They calculated correctly: Threadneedle Street was much more sympathetic than the Colonial Office. J. L. Fisher, the Deputy Chief Cashier, Exchange Control, minuted in October that

this should be regarded as a matter of urgency otherwise it looks as if everything will be held up on the estates and nothing come forward for export. Merchants won't buy and banks won't finance if they can't get proper cover. It is clearly a government responsibility.⁹³

As a result, and in the interest of the balance of payments, the Treasury was kept abreast of the situation by the Bank.⁹⁴ The Board of Trade agreed that it was unreasonable to expect private firms—especially when earning vital dollars—to continue without full financial guarantees.⁹⁵ The involvement of these Whitehall heavyweights meant that the Colonial Office could no longer let the situation take care of itself. Official discussions with the insurance companies in October brought reassurances that the improved political situation justified the description of 'riot and civil commotion'.⁹⁶

The London market, of course, reserved the right to restrict or cancel cover, should the position in Malaya deteriorate. By the end of 1948, Threadneedle Street was again in panic, given 'developments in China and in Indonesia' which 'greatly increase the possibility of further trouble in Malaya'.⁹⁷ The intervention of the City powerbroker, Anthony de Rothschild, at a meeting with the Deputy-

⁹¹ *Ibid.*, Telegram to Federation, 6 Oct. 1948.

⁹² *Ibid.*, 'Report of Meeting with Minister of State, 7 September 1948'.

⁹³ BoE, EC 5/216, Minute, 7 Oct. 1948.

⁹⁴ *Ibid.*, Siepmann to Sir Sydney Caine, 10 Sept. 1948.

⁹⁵ CO 717/176/1, Minute by Higham, 9 Oct. 1948.

⁹⁶ *Ibid.*, Minute by Chaplin for Higham, 9 Oct. 1948.

⁹⁷ BoE, EC 5/216, Minute by O'Brien for Siepmann, 29 Dec. 1948.

Governor of the Bank of England in January 1949, finally persuaded the Treasury to prepare the ECGD to invoke the Overseas Trade Guarantee Act of 1939 and provide cover if the commercial insurers refused Malayan business.⁹⁸ However, this would only cover commodities in transit and not fixed investments. To cater for this, the Colonial Office, Treasury and Board of Trade worked closely with a committee of 'joint Malayan interests' to devise a comprehensive insurance scheme.⁹⁹ But it soon became clear that the imperial exchequer was not prepared fully to support British business in Malaya. The Treasury hovered between two inclinations: on the one hand, it was anxious to do everything it could to sustain Malaya's dollar-earnings; on the other hand, it was troubled by the dangerous precedent of committing the imperial government to support Malaya financially, especially if Britain was to face disturbances elsewhere in the colonial Empire.¹⁰⁰ The furthest the Exchequer was prepared to go was to state that the British government approved in principle of a government-backed plan and 'stood behind Malaya in a general way'.¹⁰¹

So it was that the insurance buck was passed to the colonial government. Aware, however, that an official scheme might be a loss-maker, Kuala Lumpur too was unprepared to leap to the defence of British commerce. The Federation government felt that any scheme should cover all property owners in Malaya and for obvious political reasons should not be seen to benefit only big British business.¹⁰² With this in mind, a pan-Malayan committee was formed early in 1950. The administration proceeded very slowly in the hope that the issue would gently fade away. As one MCS officer in the Federal Secretariat who sat on the committee has suggested, official policy was to

make enough progress in planning the scheme to reassure the business community that it could be introduced at short notice, without going so far that nervous insurers would conclude that the government *expected* [original emphasis] it to be needed.¹⁰³

⁹⁸ T 220/85, Minutes by Flett and Pitblado, 20 Jan. and 9 Feb. 1949.

⁹⁹ CO 717/176/2, Records of Meetings to discuss Malayan Insurance of 17 Feb., 2 March, 6 May and 17 June 1949.

¹⁰⁰ T 220/85, Minute by Pitblado for Brittain, 13 Sept. 1948.

¹⁰¹ *Ibid.*, 'Note of a meeting held at the Treasury on 8 September to discuss the position of insurance in Malaya in the light of the present disturbances'.

¹⁰² CO 717/176/2, Telegram from Federation, 7 Feb. 1949.

¹⁰³ Letter to the author from John Gullick (then Principal Assistant Secretary (Economics)), 8 Sept. 1990.

In the event, no scheme was needed: the commercial insurers (and the agency houses who represented them in Malaya) continued to offer cover, but at much enhanced premiums. Both the imperial and colonial governments went out of their way not to provoke the guarantors. For example, the Cabinet's Malaya Committee was careful to ensure in May 1950 that the changed official description of MCP insurgents from 'bandits' to 'communist terrorists' would not have an adverse effect on the insurance market.¹⁰⁴ The business community was further relieved when General Briggs was appointed Director of Operations in March 1950 in a civil rather than a military role.¹⁰⁵ Templer likewise officially occupied a civilian position despite 'being most at home in his general's uniform'.¹⁰⁶ In these ways government acted sensitively, but the measures, none the less, were actually intended to *reduce* government's direct assistance to British business. Thus, while the Bank of England and the Board of Trade were keen to help Malaya's primary producers, the Treasury and the colonial government showed a marked reluctance to offer financial protection in the face of insurrection.

The Costs of Insurgency

Protection was also bought at a high price. The costs arising from the emergency fell with particular severity on the plantation and mining industries. On the one hand, there were the direct costs of new fencing, damaged trees, plant repairs and replacements, jungle clearance, the transportation and housing of resettled labour, increased insurance premiums and bonuses to SCs and key managerial staff. On the other hand, there were the indirect costs resulting from rising wages. Initially, defence costs at British sites were met by the colonial government, but by mid-1950 (after the outbreak of the Korean War) British business was considered capable of meeting all new capital expenditure.¹⁰⁷ During 1951, M\$16 million was spent in fortifying European estates, and Dunlop alone spent more than M\$4 million on seventy armoured cars and trained European security officers.¹⁰⁸ It was estimated that over the entire insurgency period,

¹⁰⁴ CAB 134/497 MAL (C) (50), 5th Meeting, 18 May 1950.

¹⁰⁵ *Daily Telegraph*, 24 March 1950.

¹⁰⁶ Stubbs, *Hearts and Minds*, p. 140.

¹⁰⁷ CO 537/6090, Watherston to Howard-Drake, 14 Sept. 1950.

¹⁰⁸ *The Times*, 16 Sept. 1954. Cited in Stubbs, *Hearts and Minds*, p. 112.

the collective outgoings of the tin industry on protection and security measures amounted to M\$30 million.¹⁰⁹

Such outlay, not surprisingly, was considered unjust by British business leaders, especially when the costs of regrouping labour—an essential element in the Briggs plan—were added to existing defence contributions. Expenditures which benefited the community as a whole, it was argued, should have been met from the public purse.¹¹⁰ Gurney, however, writing shortly before his assassination, was adamant that the government would not ‘consider any contribution towards the cost of regrouping’, as the Federation’s resources were limited and British enterprises could ‘well afford’ to meet these costs themselves. Moreover, ‘in many cases the primary benefit from these defence measures accrues to the estate or mine concerned, which might otherwise have been forced through loss of labour etc. to close down’.¹¹¹ The Colonial Office was not convinced that the High Commissioner had the better part of the moral argument: the primary purpose of regrouping was to facilitate counter-insurgency by cutting off MCP terrorists from lines of communications and food supplies; the policy was one of ‘national defence in the wider sphere’.¹¹² This said, however, ‘practical considerations’ were allowed to prevail down to 1954 when an investigative mission deemed that such expenses might further damage the development of the rubber industry. By this time, of course, the major capital costs had already been suffered.¹¹³ The Federation government did pay M\$70 per month for each SC, up to an allocated number, but any employed over and above that number had to be paid for by the estates and mines themselves.¹¹⁴

In addition, British business was a major contributor to the federal revenues used for counter-insurgency operations. It is impossible to quantify the exact burden of taxation which fell on British business during the emergency, but what is clear is that the demands made were ever increasing. Corporation tax was first instituted in Malaya at the end of 1947 before the emergency was declared. The original

¹⁰⁹ Short, *Communist Insurrection*, p. 347.

¹¹⁰ CO 537/7265, ‘Memorandum of a Meeting with Colonial Secretary on 24 July 1951’.

¹¹¹ *Ibid.*, Gurney to Paskin, 3 Sept. 1951.

¹¹² *Ibid.*, Minute by Higham for Paskin, 1 Oct. 1951.

¹¹³ *Report of the Mission of Enquiry into the Rubber Industry of Malaya*, Kuala Lumpur, 1954, pp. 41–2.

¹¹⁴ Short, *Communist Insurrection*, p. 126.

rate of 20% of gross profits was increased to 30% in 1951. Meanwhile, revisions to export duty schedules were introduced just in time to capture the massive surpluses generated by the Korean boom: in 1951 there was an eight-fold increase over 1949 in revenues from exported rubber, while that from tin doubled over the same period. Richard Stubbs has rightly emphasized that the improved fortunes of rubber and tin during the Korean War, combined with fiscal reforms, provided the funding needed for the Federation's resettlement policy, the seven-fold increase in police numbers, the raising of 240,000 Home Guards and an extra four battalions of the Malay Regiment, and additional funds for social and economic development.¹¹⁵ In other words, British business financed Templer's 'hearts and minds' campaign. London-registered companies had in addition to pay income tax in the UK. The Colonial Office estimated that in 1954 locally domiciled rubber companies were paying 53% of their profits in taxation, while UK-domiciled firms paid 64.5%.¹¹⁶ When account is taken of large-scale tax evasion on the part of Chinese firms, it can be seen that British-owned enterprises contributed a disproportionately large share of emergency expenditures.

The mounting burden of taxation led in 1950 to a campaign to persuade the government to 'accept responsibility for the full cost of the bandit campaign'.¹¹⁷ Little came of this. The Treasury made available an additional £3 million grant on top of the £5 million awarded in 1949 to the colonial government and it agreed to the raising of two additional battalions of the Malay Regiment at a cost of £1.5 million.¹¹⁸ But the imperial exchequer was not prepared to be a permanent milch cow. A Colonial Office scheme for the British government to meet a fixed proportion of emergency spending as a contribution to 'the common fight against communism' was rejected by a Treasury already 'severely strained' by rearmament. Only if commodity prices and consequently Malayan tax revenues fell sharply would additional assistance be considered.¹¹⁹ Malaya, according to one Treasury mandarin, 'should tax herself to the limit of her

¹¹⁵ Richard Stubbs, 'Counter Insurgency and the Economic Factor. The Impact of the Korean War Prices Boom on the Malayan Emergency', ISEAS, Singapore, Occasional Paper 19, Feb. 1974 and *idem*, *Hearts and Minds*, pp. 109–14. See also CO 1030/17, 'Protection of Estates and Mines', 1953.

¹¹⁶ CO 1022/71, Minute by Harding, 4 Jan. 1954.

¹¹⁷ CO 537/5979, 'Memo of Meeting, 10 May 1950'.

¹¹⁸ T 220/233, Note by Clough for Crombie, 15 Nov. 1949.

¹¹⁹ 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.

capacity'.¹²⁰ An increase in Malayan companies tax from 20 to 40% was recommended. The Colonial Office advised that it would be wise to limit the increase to 30% while concurrently increasing export duties. It was, none the less, accepted that this was 'only a step' towards 'raising companies tax to 40 per cent'.¹²¹ In 1951 the cost to the British taxpayer of the Malayan campaign was estimated at £56 million, but the local taxpayer was also shouldering considerable costs: in the same year, a Colonial Office estimate put the cost of the emergency to Malaya at £13.8 million. The cost to the UK of operations in Malaya was put at £65 million in 1954; while the Federation's net expenditure was £11.1 million, even after receipt of a UK grant of £6 million.¹²² Certainly the UK taxpayer provided a large subsidy, but even so, British firms were financially hard hit by MCP insurgency, as taxpayers and in funding private defence measures.

Conclusion

Both the imperial and the Malayan governments evidently had an interest in upholding British business confidence during the emergency. The recall of Gent in June 1948, the Briggs Plan and the appointment of a civil-military supremo in February 1952 were important signals to *Tuan Tuan Besar* in the firing line, Singapore and Penang head offices, London boards, as well as nervous City investors and insurers, which sustained Malayan dollar earnings and tax revenues. We may conclude that the government was successful in maintaining confidence to the extent that there was no mass exodus of British capital from Malaya.

Yet, it was a thorny path which led to this end. Government and business never worked 'hand-in-glove' during the emergency years. Commercial leaders, both in the metropolis and in the periphery, constantly called for more forceful counter-insurgency measures and higher levels of protection for private property than governments could deliver. British business had no choice but to pay heavily for

¹²⁰ T 220/281, Note by Colonel Russell Edmunds, 7 Oct. 1950.

¹²¹ *Ibid.*, Griffiths to Cripps, 18 Sept. 1950.

¹²² PREM 11/121, cited in A. J. Stockwell, 'Imperial Policy and Decolonization in Malaya, 1942-52', *Journal of Imperial and Commonwealth History*, XIII, 1 (Oct. 1984), p. 82; CO 1030/403, 'Briefs [Economic and Financial] for the Secretary of State's Visit to Malaya: 10. Cost of the Emergency, Undated (c. summer 1955)'.

its own defence. Official responses to business demands were often indifferent. One Colonial Office civil servant, for example, considered that the rubber traders were ‘bluffing’ during the insurance negotiations. He imagined that ‘many of these interests would be ready to reduce their commitments in Malaya for a short period and, like the camel, to live on their not insubstantial hump until the situation is quieter’.¹²³

Those interpretations of the Malayan Emergency which have identified a clear link between capitalism and counter-insurgency require qualification. Neither imperial nor Federation governments were concerned with the position of British business *per se*. Indeed, in May 1950, Minister of Defence, Emmanuel Shinwell, was anxious to make clear that ‘our object in using troops in Malaya was to protect life and property and to keep order. We were not fighting to defend the tin and rubber companies.’¹²⁴ In other words, government strove for ‘law and order’ to prevent Malaya from descending into Hobbesian chaos. London’s main economic concern was the defence of sterling—a policy of *raison d’état* to which both Labour and Conservative administrations were equally committed—while Kuala Lumpur recognized the importance of business revenue for financing the anti-bandit campaign itself and other public spending. Thus, even under a Tory Colonial Secretary with Malayan business links, it required a coincidence of commercial pressures and metropolitan financial crisis to change the direction of the Malayan campaign after 1952. Government needs broadly synchronized with the needs of British business in Malaya. Even so, on the specifics of counter-insurgency, business and government were, more often than not, divided.

¹²³ CO 717/176/1, Minute by Higham, 9 Oct. 1948.

¹²⁴ CAB 134/497, Malaya Committee, 4th Meeting, 8 May 1950.

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