Chinese family business networks in the making of a Malay state: Kedah and the region c. 1882-1941
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Citation for published version (APA):

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Chapter 6
Confrontation And Accommodation 1909-1918

The British take-over of Kedah from Siam in 1909 ushered in an important epoch of transition, affecting the interactions of the three major ethnic groups: the British, Malays, and Chinese. As the British reconstructed Kedah as a modern bureaucratic state, they triggered off a great socio-economic transformation. The British officials and the Malay political elite made attempts to reach political accommodation, but were soon locked in a political struggle over power and hegemony within the administration. At the same time, as the British attempted to revamp the Kedah judicial system, a clash of legal systems inevitably followed, intensified by British-Chinese economic competition and the decline of the revenue system. These various conflicts coincided with the burgeoning prosperity of the rubber planting economy, the emergence of new towns, and the development of communications, all of which processes were happening for the first time in the modernization of the whole of the Malay Peninsula, or what now began to be known as British Malaya, as most of the Malay states had come under either direct or indirect British colonial influence. This, therefore, marked a period of great transformation and mutual accommodation for each of the major ethnic players in the economic history of Kedah: the British, Malays, and Chinese. The political considerations of Siam no longer mattered in these British-Malay-Chinese interactions. These groups now needed to rework and create new configurations in their relationships, in their patterns of conflict resolution and compromise.

One of the first steps taken was the replacement of the British consular system by the British advisor system. At virtually the same time, the Chinese opium farm institution was taken over and managed directly by the Kedah government. The Chinese revenue farm system went into decline, faced with mounting challenges from the state. This form of enterprise now barred to them, the Chinese business networks moved into new spheres, although they were still located in the same geo-economic and geo-political region. The process of political transformation was a bumpy ride as the evolution of the modern state machinery involved a power struggle between the British officials and the Malay traditional elite because it infringed directly on the latter’s political and economic privileges. Economically, however, these developments placed Kedah on a more liberalized, more institutional, and more market-oriented basis. For instance, the state no longer needed to rely excessively on the Chinese revenue farmers or on a few prominent Chinese families for its revenue. The effect of these radical changes in politics and economy on these prominent Chinese families was to distance them and disengage them from the important roles they had once played in the Kedah government.

The role of the few prominent Chinese families in relation to Kedah state was henceforward reduced to bowing to the new situation created by the changing circumstances. Their powers or authority as state agents partially reverted to the state, and were partially shared by Western capital and by other more recently arisen Chinese business competitors. This did not sound the death knell of these prominent Chinese families and they continued to play leading roles in the economy, particularly at the beginning of the great transformation. It stands to reason that the state could not replace their established roles overnight in the process of the transition and the decline of the revenue farm therefore centred on the interaction between the state and several larger Chinese families (farmers). Quite apart from this entrenched position, the old-established Chinese businesses had excellent networks to enable them to maintain and expand
their economic domains such as rice milling. Far from being rebuffed they shrewdly made attempts to form another new economic monopoly; they were aware of the importance of maintaining their own unity, co-ordination, and co-operation under the new economic circumstances. The Rice Combine, which aimed at monopolizing the local rice milling and trade networks in north Malaya, was the result of these efforts.

The changing circumstances had important implications for the Chinese revenue farmers: politically, in the formation of the modern state apparatus, the Kedah state council was playing a more important role in the management of the economy and began to challenge Chinese economic power by gradually eliminating Chinese intermediaries in revenue farming and taking over the revenue monopolies. In the resultant process of conflict, resistance and accommodation, the Chinese revenue farmers adopted at least three strategies. Firstly, sensing the importance of the institution of kingship in a traditional society, they made an alliance with the sultan and royal family to protect their interests. Secondly, they turned to the British officials in Penang and Singapore for assistance and support as they had done before; but it was made increasingly clear to them that they could no longer rely on the British. Since the take-over of Kedah by the British, the Penang Chinese found themselves deprived of their economic and political privileges. Thirdly, they were forced to adapt to the changing situations by re-channelling their capital into planting and other new economic activities. With the rubber boom and the implementation of the colonial liberal economic system, a great socio-economic transformation was underway. Fortunately, these developments in Kedah offered a great opportunity to the Penang Chinese businessmen and their capital to meet the greater challenges from Western capital.

This chapter will discuss how the legal order and the revenue farm system were transformed under new circumstances, and how the new business monopoly of rice milling was developed by the Chinese community, among whom the Choong and Lim families were central players. This chapter consists of four parts: (1) the British-Malay political and legal conflict; (2) the Malay sultanate, ampun kurnia, and Chinese businesses; (3) the demise of the revenue farm; and (4) the Rice Combine 1913-1918.

1 British-Malay Political and Legal Conflict

Ethnicity entered the new arena of Kedah’s internal political, legal, and economic conflicts once it had come within the British politico-colonial framework. British-Malay political confrontation in the period of transition has already been admirably elaborated on by Sharom Ahmat. Therefore, the focus here will be on the transformation of the legal order, which has been a much neglected area of study. Too much has been taken for granted about this period of transition, as if it were easy for the British to enforce their laws overnight. The subject of economic competition will be dealt with in the next three parts.


2 Comments by Cheah Boon Kheng, private correspondence, 2 October 1997.
Legal pluralism has been the dominant model for scholars forced to describe the situation of the "multiplicity of legal levels and legal systems" in a given society, each of which may complement, supplement, frustrate, or conflict with the other. The use of legal pluralism is linked not only to the ideology of "legal-centralism" in relation to a single set of state institutions in most societies, but is also seen in connection with the co-existence of colonial laws and customary laws (adat) in colonial and post-colonial settings in Asia and Africa. But, this model, which places too much emphasis on the structure and function of the legal system pure and simple neglects the other important aspects - the historical process of the formation of legal order, its important relationship with the politics and economy in the colonial context, the changing role of the state in response to the extent of the colonial establishment, and the nature of the "indirect rule" - all these important aspects have to be taken seriously into account in our study of the colonial legal order. In their examination of colonial settings, some scholars have not been satisfied with this model as a source of explanation. Therefore some good critical studies have emerged recently, among them are: Sutherland on the transformation of the legal order in the Unfederated Malay State of Trengganu, Ball on Indonesian legal history, Chanock on law, custom, and social order in Central Africa, and Mommsen and Moor on European expansion and law in colonial Africa and Asia.

The colonial context and social structure were the two basic interlocking factors that contributed to the interesting interplay of the different legal systems embodied by the

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4 Sutherland presents a detailed historical case study at local state level, dealing with the institutional development centred on the relations between the changing balance of power and shifts in the legal structure, and the contest between the indigenous elite and colonial regime. Heather Sutherland, "Transformation of the Trengganu Legal Order", in *JSEAS*, Vol.XI, No.1, March 1980, pp.1-29.

5 John Ball, *Indonesian Legal History 1602-1848*, Sydney, 1982; and John Ball, *Indonesian Legal History: British West Sumatra 1685-1825*. However, his admirable chronological survey lacks a large analytical framework.


7 This is a most comprehensive and comparative study. It focuses on the pivotal thematic linkage between the European colonial expansion and the legal order formation in Asia and Africa with many case studies. See W.J. Mommsen & J. A. De. Moor, eds. 1992.
indigenous customary law, Islamic law, British law, and Chinese law. The transformation of the traditional Southeast Asian legal order was to subject it to the shifting balance of power in the oscillating realm of colonial and indigenous politics, to facilitate the colonial capitalist economy in the sector of labour relations and landholdings, to maintain law and order by the implementation of the penal code and the societies ordinance [e.g. in eradicating secret societies], and to protect the interests of business community in the case of inter-racial disputes, mainly in the European and immigrant sectors. All of these aspects are inextricably tied up with the colonial strategic interest in maintaining political and socio-economic order, which was the major cause of intensive colonial legal intervention. Beyond this, the customary law, both indigenous and Chinese, and Islamic law, were left alone or were seldom interfered with. There is little doubt that was because they mainly involved the lower working class and peasants, peripheral to the power struggle, but they were also affected by the changing pace of colonial conquest, the policy of "indirect-rule", indigenous resistance, the need to deploy scarce bureaucratic resources, and fear of uncontrollable social consequences. In a nutshell, the formation of the colonial legal order was a historical process, taking shape in a new creation to suit the requirements of the changing political and economic situations, a process of alternating conflict and accommodation resulting in divided arenas of interference and non-interference, but yet occurring in one overall, if not integrated, colonial-political framework, namely the colonial state.

As Sutherland has shown, superficially, the Trengganu legal order transformation, far from being above them, was dominated by politics and by the British-Malay confrontation, but, when it came down to brass tacks, the development of the legal order was more than just a power struggle between two contending parties; it was also a contest between different civilizations, between different ethnicities, and between different business interests. Yet as she herself admits there is still next to nothing known about the people, the personalities, and the interactions involved in the process. If the transformation of the legal order in the colonial setting, involving both colonial law and the indigenous customary law (adat), was "a specific creation" fashioned by the new state, economy, and society, as argued by Chanock, why and how was that process shaped by the joint forces mentioned above.

In the case of Kedah, this process involved not only the interactions of the colonial rulers and the indigenous political elites, it also permeated regional business interactions, participated in by the Chinese business community which was not confined by state boundaries and which was therefore subject to different colonial legal systems [e.g. Penang and Kedah]. Since the opening years of the twentieth century, the British construction of a modern state machinery in Kedah had essentially meant a gradual transformation of the traditional Malay polity. This transformation and reconstruction arose as much from the requirements imposed by the great socio-economic change as from the inadaptability of the traditional Malay system to these new demands. It was more than a contest between Western civilization and Eastern civilization,

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8 Heather Sutherland, 1980, p.4.
10 Sutherland, op.cit., p.29.
it was a test of strength between the Malays and non-Malays, between Muslim culture and interests and non-Muslim culture and interests. In other words, not only colonial and political hegemony, but also the socio-economic, ethnic, and cultural factors combined to shape its transformation. The British were facing a great challenge in attempting to find out how to coordinate the interests of the different ethnic communities in a traditional Malay Muslim state like Kedah.

The Judicial System in Kedah

The first thing to note is how great the difference was between the judicial system of one Unfederated Malay State like Kedah with that of its close neighbour, the Straits Settlement of Penang. Until "the Court Enactment 1339" was passed, the only judges in Kedah (except the legal advisor) were Malays, who knew no English and who lacked any kind of legal training, as one British official claimed in a somewhat blinkered colonial fashion. The final court of appeal was the state council, a legislative and executive body, whose members (with the exception of the British advisor) knew no other law than the *shariah* and the *adat*, and no other language except Malay. In terms of their level of importance, starting from the bottom to the top, the judiciary in Kedah consisted of the magistrate’s court, the high court, and the court of the state council. In addition, there was a religious court i.e. the *shariah* court, of which the function under British rule had dwindled into insignificance. The state council had the authority to make, carry out, and interpret the laws. As just mentioned, it also functioned as the final court of appeal. Below the state council was the high court, which exercised a jurisdiction corresponding to that of the supreme court in a British Colony. The high court was composed of Malay judges and, after 1916, they were joined by a European judge, who could not sit alone but who had to sit with a Malay judge in all cases of importance or difficulty. Below the high court was the magistrate’s court. There were three classes of magistrate’s court - the court of a magistrate of the 1st class; the court of a magistrate of the 2nd class; and the court of a magistrate of the 3rd class. All the magistrates were Malay officers. Below is a full list of the courts for the administration of civil and criminal law in the state of Kedah:-

(1) The state council;
(2) The high court;
(3) The court of a magistrate of the 1st class
(4) The court of a magistrate of the 2nd class;
(5) The court of a magistrate of the 3rd class;
(6) The *shariah* court.

A brief review of the legal history in Kedah is suffice to show the internal flux and dilemma created by the changes introduced by British colonialism. Before the British take-over in 1909, the laws of Kedah were Islamic laws administered by the courts of the religious judges or *kathis*, which adjudicated in a variety of cases, but whose jurisdiction was increasingly being limited to matters connected only with marriage or religion. After 1909, the *kathi* courts

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12 Dates in Kedah are given according to the Muslim calendar. 1339 AH is the equivalent to the year 1920-1921.
14 HCO 1970/1918, Memorandum on Admission of Counsel to Kedah Courts By W.S. Gibson.
were still permitted to administer Muslim law, but their duties now became lighter. *Kathis* were superseded by magistrates, who did not profess to be guided by the Muslim law.\(^{15}\) According to Maxwell, "... a *Kathi* was a salaried government official, with judicial powers in certain matters connected with Islamic Law, especially on marriage and divorce. He too can conduct marriage services. But as he is in receipt of a salary, he is not allowed to take any fee".\(^{16}\) As the post of *kathi* had not been formally abrogated and no new law was introduced when *kathis* were superseded by magistrates, there were frequent difficulties as to which cases should be tried by the civil courts and which by the *shariah* court. The state council tried to confine the roles and duties of *kathis*, while the latter, sensing their waning importance, were very anxious to enlarge their powers. For example, in the year 1912 the chief *kathi* reported on the criminal cases within the jurisdiction of the *shariah* court, in which he thought a warrant ought to be issued. The state council then fixed the regulations to clarify the functions of the *shariah* court.\(^{17}\)

This did not appease the *kathis* who were still desirous of being able to impose a more severe sentences in the case of a woman charged with recalcitrancy (*nushus*) in the *shariah* court. And the chief *kathi* referred the matter to the state council and asked for a decision. The state council declined to alter the existing regulations.\(^{18}\) The *kathi*’s insignificance was also reflected in the issue of the *iman*’s salary. The *iman* was the official who led the services in a mosque. He received no salary from the government, but was allowed to conduct marriage services, as the *kathis* did, and to charge a fee for his services. In 1914, the chief *kathi* suggested that the *imans* living in the towns in the different districts should receive salaries, but the state council did not approve this recommendation. The state council suggested that in the event of any *iman* wishing to resign his office owing to his inability to make a living, his duties were to be handed over to the *kathi* stationed in that particular town. Maxwell commented, "As the *Kathi*’s duties are light, there will be no difficulty in their undertaking the duties of the *Imans*...".\(^{19}\)

Although there is no doubt the *kathis* were superseded by the magistrates, it was difficult to say what system of civil law was in force in Kedah. The Malay judge, assuming he knew any

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\(^{15}\) HCO 1970/1918, Memorandum on Present Judicial System in Kedah by W.S. Gibson.

\(^{16}\) HCO 284/1914, The Minutes of Kedah State Council during January to August 1914.

\(^{17}\) The State Council passed the regulations as follows: 1) In the case of a wife running away from her husband only the ordinary courts and not the *shariah* court can adjudicate. In the case of a husband accusing his wife of recalcitrancy the *Shariah Court* could decide according to Section 7 of the *Shariah Enactment* of 6 Syakban 1327 and a summons only can issue; 2) In the case of an absolute divorce after pronouncement of three *talik* followed by the cohabitation of the parties without any previous remarriage to attend party, the *shariah* court should issue a summons only; 3) The Ordinary Courts were to continue to try charges of misconduct as cases of adultery were brought before them, except any cases in which special sanction had been given to the *shariah* court to adjudicate such as one in which any particular person was accused of having committed adultery with some other particular person in accordance with Section 14 of the *Enactment* for the *shariah* court of the 6 Syakban 1329; 4) The *shariah* court may issue a warrant in cases, in which a woman runs away to get married without the knowledge of her guardian. Source: CO 273/375/479.

\(^{18}\) CO 273/386/243, The Minutes of the Kedah State Council, 14 Rabiuulakhir 1330 (2 April 1912).

\(^{19}\) HCO 284/1914, The Minutes of the Kedah State Council during January to August 1914.
law, was acquainted only with Muslim law. The Malay judge knew no English and the principles of English law were not available in any form in which the Malay judge could have access to them. As the legal advisor, Gibson put it: "The presiding officers in the Kedah Courts today are Malay laymen, not trained in Mohamedan Law and not professing to administer it. ... The common sense and direction of the Magistrate became the law". The criminal law which had been administered by the Kedah courts prior to 1916 had hitherto been theoretically at least Islamic law or shariah. "It was a system of law by no means suited to a modern state, and had in practice been modified to such an extent that the discretion of the Judge or Magistrate had almost come to be the Criminal Law". In 1916, "The Penal Code Enactment" was passed which served to put the criminal law in Kedah on a more satisfactory basis as far as the interests of the Straits merchant and immigrant community were concerned. It followed the Penal Code of the Straits Settlements as closely as possible, putting criminal law in Kedah also in line with that in force in the neighbouring British-ruled Malay states.

Generally speaking, the Kedah judiciary was heavily Malay-centric in terms of personnel, religious and cultural colour, and autonomous powers. First of all, of the five members of the state council, four were Malays. The Malay members had shown that they did not necessarily follow the advisor’s opinion given on an appeal. In practice, the decisions of the high court were seldom overturned. Cases had occurred in which, despite the advisor dissenting and expressing his views in the council minutes, the Malay members still overruled him. In its procedure the state council was a court of revision rather than a court of appeal, according to local British officials. It dealt with the records, not with the parties, and gave its decision after the records of the cases had been read aloud by its secretary. In the case of the magistrate’s court, the magistrates were all Malays. Secondly, the compulsory language of the court was Malay. There were no English-Malay interpreters attached to the Kedah courts and in a case a European party had to present his case as best as he could in Malay, or through an interpreter who commanded only a smattering of English. Owing to the close connection between Kedah and Penang, legal documents and correspondence in English were constantly being produced as exhibits at the hearing of cases. They were required to be translated into Malay. This requirement resulted in difficulties in practice and irregularities in procedure, and was also, to put it mildly, a waste of time and money. Thirdly, counsel was excluded from the Kedah courts by the provision of Section 40 of "the Courts Enactment, 1334". In this Enactment, the Malay court officials insisted on the observance of the following regulations: (i) Section 38 in which all orders of the high court shall run in the name of the chief justice [Malay]; (ii) Section 40: no lawyers would be allowed to appear and conduct cases in Kedah courts on behalf of either party. It is pertinent to bear in mind that originally this Section formed no part of the legal advisor’s draft, but was drafted and added by the Malay members of the state council. Fourthly, Malays were very sensitive to religious and cultural issues. When "The Penal Code Enactment of 1335" was passed in 1916, one important clause, which

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20 HCO 1970/1918, Memorandum on Admission of Counsel to Kedah Courts by W.S. Gibson.
22 CO 273/447/401, Kedah Enactments 9-10 of A.H. 1334.
23 HCO 1970/1918, Memorandum on Admission of Counsel to Kedah Courts by W.S. Gibson.
was different from the law in the Straits Settlements, was the reintroduction of Section 497, and the addition of Sections 497A and B, and 498A. The last three were drafted, and the Malay members of the state council made sure that they were all inserted. Their insertion reflected the serious manner in which sexual offences were viewed by the Muslims. The dissatisfaction and criticisms which were expressed by the British and Straits merchant community were based on the argument that the Malay administration of the Kedah courts was incompatible with the rapid growth of Kedah’s social and economic development with which they had failed to keep pace. They felt that the Kedah courts could not be relied upon to protect their interests and meet the legal requirements of the modern state. They urged the British officials to reform the Kedah judicial system bringing it into line with Western judicial principles and practice. They argued that "...the State has developed rapidly and the development promises to continue. The material development has been due to the efforts of Chinese, mostly British subjects, and Europeans, and in the majority of cases in the High Court the litigants are not Malay". High Commissioner Young spelled out plainly to the regent of Kedah that "...owing to the development of the country and to the growth of large non-Malay interests...it is absolutely necessary to revise the system as regards the High Court and appeals from the High Court". Obviously feeling at a disadvantage under the weight of tradition, the Penang merchant community was also vocal in its criticism of the Kedah judicial system and called for its reform. The Penang newspaper, the SE, commented: "In all the courts the work doubled [owing to the heavy load of transliteration and translation], though the Adviser can assign no special reason for this. One day, ... an attempt will be made to get lawyers with European qualifications admitted to practice in the Kedah Courts". Almost a year later with the situation still unchanged, it felt compelled to say: "As regards the administration of Justice [in Kedah] there can be no indulgence towards shortcomings. A free, independent, impartial, incorruptible and efficient judiciary there absolutely must be wherever there is British control".

Legal Advisor and European Judge
In order to protect the interests of British subjects, the British decided to terminate and reform the function of the British consul. In 1909 the British consul surrendered his jurisdiction, a move which meant that the Kedah courts had jurisdiction over persons of all nationalities, including those who were British subjects. In theory, "The inhabitants of the State of Kedah

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24 According to the note by the Legal Advisor, Sections 497 A, 497 B, and 498 A, were a proclamation that Islamic law was recognized in Kedah and did not enact any new principles. In Sections 497A and 498A the word "Zinah" (illegal sex) had been used. This was a technical legal term, defined by the commentators on Islamic Law, and non-Muslims cannot, generally speaking, be punished for the commission of Zinah with a Muslim. However, these two sections therefore, unlike Sections 497 and 497 B, would not, therefore, apply to non-Muslims. See CO 273/472/160, Kedah Penal Code Enactment No. 13 of 1335.

25 HCO 1970/1918, Memorandum on Admission of Counsel to Kedah Courts by W.S. Gibson.


27 SE, 23 July 1915.

28 SE, 4 April 1916.
may be considered in all respects British Subjects", but the situation was anomalous as there was still an actual difference between British subjects and non-British (mainly Malays) subjects, those who were actually British born and non-British born. "The Courts Enactment of 1339" clearly defined that the term British subject should be deemed to mean "... not include any Malay, Chinese or Indian born within the State of Kedah". Prior to 1922 British subjects were protected by their right to require that a European officer sit with a Malay magistrate hearing any case concerning them, and by the presence of a European judge on the high court bench and the British advisor in the state council. This state of affairs was gradually achieved, but met with the resistance from the Malays. The role of the British consul had now been taken over to a great extent by the person of the British legal advisor. As mentioned earlier, Frost was the first and only British consul in Alor Star. After the transfer of Siamese suzerainty to Britain in July 1909, Frost proceeded to Perlis to take over from Duke, the Siamese advisor to the Perlis government, the duties of British advisor under the Anglo-Siamese Agreement. When the British advisor, Maxwell, went on leave in October, Frost acted as advisor to the Kedah government. Before the legal advisor was actually formally appointed, an assistant advisor had to assume his duties. In 1912, the state council approved "the Appeal Court Enactment 1330". This Enactment constituted the appeal court, which was comprised of an indefinite number of Malays sitting with the assistant advisor, with the task of enquiring into each case and forwarding recommendations for the approval of the president. There were three judges in the court and a European officer sat with them as their legal advisor. If the legal advisor disagreed with the judgement of the majority of the Malay judges, the case was referred to the state council. If he agreed with two of the three judges, the judgement was final. In July 1912, the state council decided to ask the High Commissioner to appoint Frost, the acting advisor, to be legal advisor in Kedah when Maxwell returned from leave and resumed his duties as advisor. In order to define the somewhat vague functions of the legal advisor, in 1914 the state council decided that the legal advisor was a separate head of department and that he was in no way assistant to the advisor.

29 HCO 1530/1919, The Memorial of the Undersigned, Members of the Bar Committee, Penang to Governor and High Commissioner A. H. Young, 11 July 1919.

30 This is of course the malay date giving the Hijrah year, and does not refer to the European calendarical system.

31 HCO 1970/1918, Memorandum on present judicial system in Kedah by W.S. Gibson.

32 SE, 2 October 1913.


34 CO 273/386/402, The Minutes of the State Council Kedah, 24 Rejab 1330 (9 July 1912).

35 The legal advisor's duties were defined as follows: 1) to be an advisor to the judges of the appeal court in all cases heard by the appeal court; 2) to give an opinion to the president of the state council on petitions from litigants, if the president of the state council or the advisor requests him to do so; 3) to draft rules and regulations in connection with the courts and court officials; 4) to make investigations into matters concerning the courts or the laws of the country, at the request of the president of the state council or the advisor, and to report upon the same, submitting his recommendation; 5) to give an opinion upon any matter on which the president of the state council may consult him; 6) if the legal advisor wishes to examine the file of any case or to obtain a report on any subject from any court, he would ask the chief justice to obtain it. Source: HCO
As from 1916, the British legal advisor also acted as the European judge. Considering the fact that number of British subjects had grown considerably, in January 1916 the advisor asked the state council that Forbes, the legal advisor, might be allowed to assist him in hearing court cases in which British subjects were involved. This was in fact a preparatory step to nominating the legal advisor as the European judge. Acquiescing in this request, the state council then authorized Forbes to sit with a Kedah magistrate in place of the advisor and hear cases in which British subjects were involved, of which the advisor was asked to try. Forbes was granted the same jurisdiction as the chief magistrate of Alor Star in criminal and civil cases. In May, the advisor proposed to the state council that an European judge should be appointed to supervise the courts and to sit with a Malay judge, thereby usurping the present court of appeal. But this request fell on deaf ears as far as the Malay members of the state council were concerned. The Malay members on the council did not agree. According to the regent's minute of 21 Jamadiulakhir (June), i.e. minute paper 1592/32, it was suggested that the present arrangements should continue in force. The advisor asked for the matter to be referred to the High Commissioner in Singapore. Following the intervention of the High Commissioner, the state council gave in. On 13 Ramadan 1334, "the Courts Enactment 1334 (1916)" came into force. One of its main objects was to provide for the appointment of a European judge on the bench of the high court to sit with a Malay judge in all important cases.

This may have seemed a fair solution but the European judge and the Malay chief justice found great difficulty in achieving unanimity in cases. This disagreement originated essentially from the conflict of principle between Malay interests and non-Malay interests, between the Kedah legal system and the Penang legal system. One peculiar upshot of this failure to achieve consensus was their separate decisions on the case Barker & Co. versus Ng Pak Siew and Goon Fook Ngi. Barker & Co. had been appointed receivers of the Kwong Hong On estate by the Penang court, and this order had subsequently been approved by the high court of Kedah. A great part of the land had actually been a part of the Kwong Hong On estate. The owner, Ng Pak San, had died years ago. His heirs, Ng Pak Siew and Goon Fook Ngi, appeared before the chief justice in 1917 and applied for Letters of Administration to Ng Pak San's estate. The chief justice granted the application without demur dated 22 Ramadan 1335 (11 July 1917). Thus both Barker & Co. and these two men had been granted an administration order in respect of the same property. No notice was given to Barker & Co. of the reversal of their position, nor was the European judge consulted. When Barker & Co. heard of what had happened, they brought an action in Kedah to have the granting of the administration order repealed. But the European judge and the chief justice saw this matter in very different terms. They submitted their decisions to the state council separately. Although the state council upheld the European judge, this was only a lull in the proceedings.

284/1914, The Minutes of Kedah State Council, 21 Rabiulawal 1332 (17 February 1914).


38 CO 273/447/401, Kedah Enactments 9-10 of A.H. 1334.

and this British and Malay controversy continued unabated. Its progress will be one of the themes of the next chapter.

2 The Malay Sultanate, Ampun Kurnia, And Chinese

The British-Malay politico-legal confrontation coincided with another showdown concerning the economic privileges of the traditional Malay elite, which originated from ongoing efforts made by the state to break up the Chinese revenue monopoly. As the economic privileges of the traditional Malay elite were managed by the Chinese, the attempts to dismantle the economic supremacy of the Chinese involved political confrontation with the traditional Malay elite. The resources of ethnicity were used by both Malays and Chinese to protect their respective economic interests through manipulating their joint alliance.

Chinese-Malay Political Economy

In the introduction to Chapter Three, the relationships between the Chinese families and the state, which were characterized as the "personalized", the "ethnicized", the "institutionalized" and the "appropriated" were discussed. These characteristics were once again clearly manifest in the alliance forged between the sultan and his cronies and the Chinese revenue farmers in order to organize their resistance to the British policy of terminating or taking back their economic privileges. Three interrelated elements contributed to the formation of the Chinese-Malay political economy in Kedah: the nature of Malay society and state, the institution of ampun kurnia, and the immigrant Chinese. The mixture of these three elements resulted from the impact of both global colonialism and the world capitalist system through its powerful neighbour, the British Settlement of Penang. Indubitably, it incorporated a strong local Kedah colour, which was determined by the nature of Malay state and society. The nature of the pre-colonial Malay state and society has been hotly debated in the colonial and post-independent discourse.40 One outstanding feature of that state/society was the overlapping identity of both the sultan and state. In terms of political power relationship, in the case of Kedah, political authority was highly centralized in the hands of the sultan or the state government (Chapter 1, Part 2). In contradistinction to most other Malay states, even most of the district chiefs were members of the royal family. In terms of the state’s network of socio-economic relationships between the centre and the districts, each district was a separate economic regime. In contrast to the centralization of authority, there was no unitary market system. The enforcement of a feudal or semi-feudal practice is best seen in the tradition of "ampun kurnia". Ampun kurnia was a royal grant from the sultan to his loyal officials, which was either in the form of land grants or rights to collect customs, ferry, or market duties, and so forth. It was "[in] lieu of salary, or allowance, or pension as the case might be: for it was easy to assign away sources of revenue, and extremely awkward to make monthly cash payments however small", as the British advisor noted.41 This was especially so when, as was often the case, there was no money in the treasury, and the payment of the police and the government clerks was always months in arrears. In leasing their grants of ampun kurnia to

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40 For example, see Cheah Boon Kheng, "Feudalism in Pre-Colonial Malaya: The Past as a Colonial Discourse", ISEAS, 1994, No.2, pp.243-269.

41 CO 273/400/466.
Chinese middlemen, members of the Malay elite who had been so honoured found that this was the best way to guarantee themselves a regular income. In Kedah, before the Siamese loan in 1905, almost every member of the elite had an *ampun kurnia* in some form of revenue or another. For instance, Syed Muhamed Almahadali, the state treasurer who died in 1910, collected the export duty on wild rubber as his *ampun kurnia*. Wan Abdullrah (generally known as "W’allah Kuala"), the harbour master who died in 1912, collected the revenue from his *ampun kurnia* on cockle-shells used for lime burning at Kuala Kedah. The whole practice was in a process of gradually being phased out but it persisted until the late 1910s or early 1920s. As almost every holder of *ampun kurnia* had leased his grant to a Chinese farmer, of itself this led to the formation of a stable Chinese-Malay political economy.

As the managers for the Malay elite, the Chinese farmers in fact dominated the whole state economic administration. The significance of the Chinese farmers permeated the whole system. By acting as the legal agent and manager both for the Kedah state and for members of the Malay elite, the Chinese revenue farmers formed the core linkage between capital and labour, between production and market, between Malay peasants and immigrant labour, and between Kedah and Penang (the entrepot to the outside world). This was far from one-sided; it was a two-way circulation system: Chinese revenue farmers channelled the Malay agricultural subsistence economy into the commercial cash economy, the immigrant commercial and industrial production into the outside market, and the local revenue into the state’s treasury or into the hands of the Malay elite. On the other hand, by acting as the supplier of consumer goods to both Malays and immigrant labour, such commodities as opium, foreign luxury articles, and other necessities, the state revenue, coolie wages, and Malay peasants’ earnings were rechannelled into the hands of Chinese revenue farmers. There was an extra dimension to all this. As the large increase in state revenue was related to the prosperity brought by the colonial cash economy and the large influx of the immigrant labour, Chinese energy and management, through the marriage of Chinese capital, immigrant labour, local resources and regimes, which were essential to the maintenance of the Malay state and society under the changing colonial socio-economic circumstances. Until the British take-over in 1909, this Chinese-Malay political economy was so important that there was no other force with sufficient impetus to come near to usurping the role of the Chinese. Indubitably this was a marriage of convenience and the Chinese *towkays’* economic activities in Kedah were not guided by altruism. The pattern of the Chinese-Malay political economy suggests that the Chinese naturally formed an alliance with the other parties to mutual advancement in their complementary spheres. It was inevitable that any efforts of the state council to rationalize the revenue resources would meet with their joint resistance. In most cases of *ampun kurnia*, the state therefore adopted a moderate policy of compensating the economic losses suffered by the Malay elite in exchange for their concession and acquiesce in the change of policy. Despite the readiness to accommodate, some serious political confrontations inexorably developed between these parties.

**The Case of Che Mohammed Ariffin**

As mentioned earlier, from the sultan’s perspective, if the marriage of state and capital was regarded as an important strategy by which to adjust Kedah to the presence of its powerful neighbour, British Penang, leading ultimately to the development of Kedah, this marriage suggests yet another pattern and had another meaningful implication. The combination of power and capital not only bore witness to a clear ethnic identity, but also exposed how the Malay elite accumulated their wealth. This was done on an informal, individual and hidden
basis, or by colluding in an illegal interethnic business practice. Such an example of a less
typical British-Malay partnership occurred between the Siamese advisor, G.C Hart, a Briton,
and the late raja muda, Tunku Aziz. They were partners in a pioneering rubber estate of 2,250
reloangs at Tanjong Pow, each having a half share. The land which they took up was not even
properly surveyed. They took out no title for it and paid no rent. In the eyes of the Siamese
government, as a Siamese advisor, even though a British subject, Hart was prohibited from
owning land without having been given a special authorization to do so by the Siamese
government. This partnership was kept highly confidential and was knowingly concealed from
the Siamese government. There were far more cases of Chinese-Malay partnerships. A
typical example of one such was the joint property investment of a prominent Chinese towkay,
Lim Thean Kee, and a powerful Malay state councillor. It all began in 1914, when the state
surgeon recommended that the state council purchase the house of Lim Thean Kee, which was
then occupied as his living quarters by Pearson, the medical officer at Alor Star. The cost was
$10,270 which was "too large". The British adviser initially demurred, while the state council
would not agree to less as one council member was a partner. In the end, the British advisor
had to agree to pay extra money. The Malay state councillor may have been either Tunku
Mahmud, the president of the state council, or Che Ariffin, the secretary to the government.
It was disclosed that in 1907, Lim Thean Kee built two houses for Tunku Mahmud at the cost
of $12,600, and again it was Ariffin who took care of it. Che Ariffin provides an
interesting example for understanding how a member of the non-royal Malay elite rose to
become a wealthy businessman.

Che Muhammad Ariffin, or Che Ariippin or Chepin as he was called by the local press, was
one of seven children of Muhammad Arsyad and Fatimah, whose ancestors originally came
from the Middle Eastern region of North Yemen. As he was about 52 years old when he
died on 18 August 1918, Che Ariffin must have been born in around 1866. He had a long
period of service with the Kedah government, probably starting his career in the mid-
1880s. In his early days, he had very close ties with the sultan and was made penghulu of
several mukims in Kedah. There is little doubt that Che Ariffin acted as secretary to the sultan
for a long time. But, as he was instrumental in the negotiation of the Siamese loan to Kedah,
this suggests that he also had a very good working relationship with the raja muda, who was
in fact in charge of the government. When the state council was installed in July 1905, he was
appointed a member of the council. When the British took over in 1909, he was borrowed to
assist in the work of the president of the state council, Tunku Mahmud. In April, he was
officially transferred and appointed secretary to the government, while his former position as

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42 For detail see HCO 1367/1910, Permit for a Rubber Plantation to Tunku Ibrahim Transferred to Mrs Hart.
43 HCO 284/1914, The Minutes of the State Council Kedah, 29 Syakban 1332 (23 July 1914).
44 SC, No.10, Mohd. Ariffin To Tunku Mahmud, 2 Syakban 1325. The budget was for $10,800, while Lim
Thean Kee's tender was for $12,600. Ariffin asked Tunku Mahmud to apply to the government for the balance
of $1,800.
45 The family tree of Che Ariffin, preserved in the Kedah State Arkib, Alor Star.
46 In 1916, it was reported that he had already served the government for thirty-one years. So, it should be
in the mid-1880s. See, PGSC, 12 August 1916.
secretary to the sultan was taken over by Mohammed Murad.\footnote{CO 273/386/243, The Minutes of the State Council Kedah, 12 Jamadilawal 1330 (28 April 1912).} During Maxwell’s period as advisor, he was one of the most influential officials and inspired confidence in the other state officials, European and Malay alike. Maxwell had a very useful co-worker in him. It was largely thanks to the co-operation between the two that during the time of the Kedah-British constitutional conflict many delicate problems were settled amicably. In passing it is interesting to note that he was a British subject and had applied for and received a certificate to that effect from the British consul, Meadow Frost.\footnote{SE, 20 August 1918.} In October 1917, he retired on a handsome pension of $4,000 per annum.\footnote{CO 273/461/320, CO 273/461/334, CO 273/461/362 The Minutes of the State Council Kedah, 16 August, 6 September and 25 October 1917.}

Che Ariffin’s business interests involved revenue farming, mining, agriculture, housing, and landed properties. His whole family had revenue farms or land grants in the form of \textit{ampun kurnia}. His father, Krani Mohammed Arshad, for example, had secured the port dues farm at Sungei Sala from the sultan, which permitted him to collect port dues at a rate of 5 cents. Arshad sub-let this farm to a Chinese named Kang Yong, who sub-let it again to Chai, another Chinese.\footnote{CO 273/373/251, The Minutes of State Council Kedah, 18 Rabiulakhir 1329 (18 April 1911).} His brother Muhammad Yusuff, or Haji Puteh, held \textit{ampun kurnia} for the fishing stakes licences, the right of licensing and charging fees for all fishing stakes in the waters of the state.\footnote{HCO 269/1919, W.G. Maxwell to Acting British Adviser G.A. Hall, 15 October.} His other brother, Che Hassan, was also awarded a rent-free land grant by the sultan.\footnote{CO 273/384/27, The Minutes of State Council Kedah, 26 Zulkaedah 1329 (18 November 1911).} All of these favours might conceivably be attributed to his powerful position in the government, although in the absence of hard evidence this has to remain just an assumption. The actual number of \textit{ampun kurnia} that Che Ariffin himself held is not known, but at least two can be identified with certainty. One was the Krian market farm which allowed him to collect market tolls; the other was a guano farm in the name of Che Pin.\footnote{CO 273/399/309, The Minutes of State Council Kedah, 21 Jamadilawal 1331 (28 April 1913). See also, Sharom Ahmat, 1984, p.136.} Along the Jalan Raja (near the police station) in Alor Star, Che Ariffin had at least fifteen shops. The whole area of land from the Cathay Cinema to the mosque in Jalan (?) used to belong to Che Ariffin. He had also managed to acquire a fair number of estates in the area of Alor Star.\footnote{Interview with Ariffin H.A. Rahman who was the son-in-law of Che Ariffin, Alor Star, 20 December 1996.} This is confirmed by the evidence derived from the local press. “A man of considerable private means with large landed interests in the state,” \footnote{PGSC, 12 September 1916.} Che Ariffin had “… \textit{...}
a very big estate, being the richest Malay [in Kedah] so that "... a big sum will go to the State Exchequer as an estate duty".\footnote{56}

By way of illustrative material to elucidate the Chinese-Malay economy, the Kota Star oil-store farm would be the best example to expose the complexity of the interplay of the local situation and British power politics. A partnership for the oil-store farm was formed by two Penang Chinese, Kam Teik Sean and Tan Chong Keat, who teamed up with Chew Eng Seng of Alor Star, Kedah. As an \textit{ampun kurnia}, the annual rent of $500 of the Kota Star oil-store farm was required to be paid to Che Ariffin. Maxwell’s Annual Report for 1327 (1909) states that the said farm would be cancelled upon the death of Che Ariffin.\footnote{57 As Che Ariffin died on 18 August 1918, an informal private note from Maxwell, who had been transferred to the High Commissioner’s office in Singapore as the acting secretary, led the state council to decide that the farm would be cancelled at the end of Zulhijjah 1336 (5 October 1918). However, Chew Eng Sen and Tan Chong Keat, the partners of the late Kam Teik Sean, refused to take this lying down and went to their solicitors in Penang. On behalf of their clients, the solicitors, Messrs Adams & Allan, lodged a complaint stating that : (i) the lease of the oil-store farm had been granted to the late Kam Teik Sean, not to Che Ariffin. The original document was dated 26 Syawal 1321 (14 January 1904) and sealed with his personal seal by the \textit{raja muda}, Tunku Abdul Aziz, who acted officially on behalf of the Kedah government; (ii) the said lease was for a period of seventeen years, not within the lifetime of Che Ariffin. As there were no legal grounds to prevent the farm lessees from taking their claims against the Kedah government to court, the acting British advisor, G. A. Hall, again wrote to Maxwell, asking him if he could give any additional information other than that which had appeared in the papers. Only after G. A. Hall wrote to Maxwell again pointing out his mistake, was Maxwell forced to admit that what he had written before had been under a misapprehension, as he had not been aware that the \textit{raja muda} had granted the lease.\footnote{59 This first intimation suggests that the original decision was a mere blunder, made under the mistaken impression that the lease had been granted by Che Muhammad Ariffin and not by the \textit{raja muda}. Moreover, it implies that a political scandal or a deal must have been involved behind the cancellation of the \textit{ampun kurnia} between Che Ariffin and Maxwell, who had needed each other badly during the British-Malay constitutional conflict (1911-1914), to promote their respective family and political interests.}

\footnote{SE, 20 August 1918. For further reference of his estate, see CO 273/386/402, CO 273/471/73, CO 273/472/168, CO 273/486/42, SUK/K 2628/1335.}

\footnote{KAR, 1909, p.59.}


\footnote{HCO 269/1919, Adams & Allan to the British Adviser Kedah, 24 September 1918.}

\footnote{HCO 269/1919, Kota Star Oil Farm, which includes: the petition from Tan Chong Keat and Chew Eng Seng, the lease grant from the Raja Muda, and the correspondence between the acting British advisor G. A. Hall, W.G. Maxwell, Messrs Adams & Allan, and the High Commissioner, etc.}
The Case of Wan Ahmad

As well as Che Ariffin, Wan Ahmad, also called Wan Mat Kulim, was one of the sultan’s favourites. If Che Mohammed Ariffin was successful in terms of his personal business and prowess as a power broker who knew how to adjust himself to the changing situation, by contrast, Wan Ahmad was a victim of the British-Malay power conflict, particularly of the British efforts to contain the sultan’s power and influence during the Kedah constitutional negotiations (1909-1923). Both cases suggest to what extent Chinese-Malay ethnic economic interactions were closely related to the Malay-British power politics. The issue of Wan Mat was not an isolated event. It was inextricably linked to the constitutional issue in Kedah. As the sultan had appeared to be "obstructive" to the state council, the British had been looking for every opportunity at best to dethrone him or at least to take him out of the running by creating a regency, which would act for the sultan in dealing with the affairs of the state. The sultan, the British advisor and the state council, the High Commissioner, and the Chinese from both Penang and Kedah, were all involved in Wan Mat’s case. Under these circumstances, Chinese-Malay business interaction could also be regarded as an active strategy on both sides to promote their own interests. It was this ethnic economic function that provided a very strong power base for Chinese businesses in Kedah. There were three principal male courtiers, who had tremendous influence upon the sultan after 1910, namely Wan Ahmad (or Wan Mat), Che Man Tajar, and Penghulu Ismail. Wan Mat had long been a personal attendant of the sultan, and the sultan took him to London to attend the coronation in 1910. The sultan had an inordinate affection for him, handing over to him control of his private property, entrusting him with the care of the regalia and certain jewellery which was state property, giving him the key to the seals of the state, granting him a contract for the supply of food to the sultan’s private table, and empowering him to buy a gift worth $700 to be paid from the privy purse.61 Wan Mat had land and ampun kurnia dealings with the Chinese which the state council was most anxious to cancel, but sensing the threat to his privileges Wan Mat turned to the sultan for support, as a result, the sultan’s intervention created enormous problems for the state council.

The Wan Mat issue originated from two transactions which had been carried out with Chinese businessmen: one was a land concession; the other was the brick farm at Kuala Muda. Dated 2 Jamadilawal 1329 (1 May 1911), the sultan granted a concession of 6,000 relongs of land to Wan Mat rent-free. Frost, the acting advisor, and Tunku Mahmud, president of the state council, went to see the sultan and requested him to cancel this concession, but he adamantly refused. Frost reported the matter to the High Commissioner, Arthur Young, and asked him for his support.62 Young agreed and the High Commissioner’s letter, confirming the position he had taken, was passed on to the sultan by Tunku Mahmud in person. The sultan had to agree that the grant could be cancelled if the land had not had yet been sold. But when Tunku Mahmud asked Wan Mat to return the document, Wan Mat replied that he had given it to a Chinese merchant, Lee Peng Wat, in Penang, against which he had received an advance of $3,000. Armed with this information, Frost and Tunku Mahmud went to see the sultan and informed him accordingly.63 The sultan insisted that the grant should stand and that he would

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61 For details, see CO 273/399, Confidential: Appointment of a Regent in Kedah.
62 HCO 313/1912, Frost to the High Commissioner, 27 February 1912.
63 HCO 313/1912, Tunku Mahmud to the High Commissioner, 18 Rabiulawal 1330 (6 April 1912).
write to the High Commissioner. In reply to the letter of the High Commissioner of 8 March 1912, the sultan asked again that this royal gift to Wan Mat be approved instead of being cancelled. In May 1912, the acting advisor, Frost, accompanied by Tunku Mahmud and Tunku Ibrahim, went to Singapore and had an interview with the High Commissioner, Arthur Young, on the subject. Following Frost’s request, the High Commissioner again wrote to the sultan to the effect that the concession should be cancelled and $3,000 would be refunded to Lee Peng Wat by the government first, and then recovered by deductions made from Wan Ahmad’s pension. The sultan now again wrote to the High Commissioner arguing that, while the cancellation of the grant could be effected, it would be impossible to carry out the proposal with regard to making deductions from Wan Mat’s pension. The sultan disclosed that Wan Mat’s pension was $80 per month, out of which Wan Mat had to repay to the Chetties loan instalments of $60 per month, leaving him a balance of only $20 in his hand. The sultan also enclosed a copy of Lee Peng Wat’s petition to the High Commissioner. As the Chinese merchant Lee Peng Wat in Penang was opposed to this arrangement, he petitioned the sultan in June 1912, praying that a valid and proper grant in the name of Wan Mat should be made by the sultan to facilitate the land transfer to him.

Meanwhile, Wan Mat had his hands full with another case concerning the brick farm at Kuala Muda. This was an *ampun kurnia* granted to Wan Mat and Tuan Man by the sultan in the old days, by which they had the right to collect an export duty of $4 per 10,000 on all large bricks and $2 per 10,000 on all small bricks. Wan Mat farmed out his monopoly to a Chinese. On the 9 Zulkaedah 1327 (22 November 1909), the state council decided to repeal the grant to Wan Mat and Tuan Man on the expiration of the stated period. The government would pay Wan Mat and Tuan Man $50 each a month to make up the sum of $100, which the Chinese farmer paid to them. But somewhat precipitously Wan Mat had already farmed out this farm for a further term to another Chinese, named Yap Bian, from whom he got an advance of $1,000. The situation was even more complicated as rumour had it that Wan Mat had obtained the sultan’s signature to grant permission to that document. In the presence of the acting advisor, Frost, and the secretary to the government, Che Ariffin, Wan Mat undertook to refund Yap Bian’s money within ten days, while admitting that he had made a mistake in reletting the farm, explaining that this was "owing to a lapse of memory". But when the district officer of Kuala Muda was asked to recover the sultan’s grant from Yap Bian and forward it to Alor Star, it was found that Yap Bian did not have the grant and Wan Mat had not complied with the stipulation that he should refund Yap Bian the money within ten days.

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64 HCO 313/1912, The Sultan to the High Commissioner, 14 Rabiuulakhir 1330 (2 April 1912). The Sultan mentions two reasons: first, Wan Mat had asked the sultan for money to defray his expenses in following the sultan to the king’s coronation in London and to provide for his family, so the sultan granted his request for 600 *relongs* of forest-land. Secondly, the sultan argued that there were many others who had been granted land in the similar way. Wan Mat was not the only person who had been allowed to receive such land.

65 HCO 313/1912, Lee Peng Wat’s Petition to the Sultan, 19 June 1912, Penang. The Sultan to the High Commissioner, 24 Rejab 1330 (9 July 1912).

The state council therefore decided to instruct the audit office to withhold payment of Wan Mat's political pension until further order.\(^{67}\)

To return to the land concession case, in March 1913 the state council decided to lend Wan Mat $3,000 to be repaid by a deduction of $50 per month from his state pension. Before being given the loan Wan Mat was requested to produce security in the form of a land title. After the loan was made, it was found that Wan Mat had already borrowed money from a Chetty on the security of the title, having deposited the titles with the Chetty. Wan Mat was prosecuted for fraud by both the Chetty and the government. He was sentenced to one year's imprisonment. However, as Wan Mat was a personal attendant on the sultan, it was decided that the sultan should be informed of this decision before it was actually affected.\(^{68}\) Demonstrating his personal loyalty to his courtier, the sultan sent a letter to the state council, stating that he pardoned Wan Ahmad. The state council considered that it was not proper for the sultan to pardon Wan Ahmad and decided to abide by its original decision.\(^{69}\) Moreover, in joining Tunku Mahmud, Che Ariffin, M. Frost, and Dr Hoops, and others, the British advisor, W.G. Maxwell, took this opportunity to send a very long confidential despatch to the High Commissioner, asking for his acquiescence in appointing a regent to act for the sultan.\(^{70}\) Wan Ahmad's case was henceforth transformed into a British constitutional movement to remove the sultan.

### 3 The Demise Of The Revenue Farms

Having discussed the British-Malay confrontation over the issues of legal order and economic privileges, it is time to turn to the main economic struggle which was between the state and the Chinese revenue farmers. This will be approached from the British-Chinese perspective. The decline of the revenue farm system in the early twentieth century, let alone the interactions between the state and the farmers, is a topic which has scarcely been touched. Some scholars show a tendency to assume that the demise of the opium farm was representative for the whole revenue farming system as such.\(^{71}\) Trocki confines his study of the demise of the farming system to the period 1880-1910, and he seems unaware of the fact that these thirty years were also the golden age for the Chinese farmers to accumulate their wealth and to contribute a substantial increase in opium revenue.\(^{72}\) Butcher's discussion on the Federated Malay States provides the reasons for this change, without looking closely into

\(^{67}\) CO 273/387/529, The Minutes of State Council Kedah, 20 Ramadan 1330 (2 September 1912).


\(^{70}\) CO 273/399 Confidential, "Appointment of a Regent in Kedah", 7 April 1913.

\(^{71}\) For example, see Butcher & Dick eds, 1993; Rush, 1990, Chapters 9 and 10, pp.179-216.

the process of that demise. This study indicates that contemporaneous with the process of modern state formation, which saw the appearance of the new means of production, new opportunities for making huge profits also came within the grasp of the Chinese farmers, who were in a position to benefit from the rapid economic development and large influx of immigrant labour and Western capital. The state, of course, was unwilling to see Chinese farmers monopolize such profits. Unlike the situation during the Siamese era, the British now became an important element in the state and this triggered of a shifting of allegiances, the upshot being the British became the competitors of the Chinese in the economic race, instead of standing by them as they had done. This put the state on the horns of a dilemma as it could not afford to lose the main revenue resources it derived from the Chinese in one fell swoop. In dealing with this ticklish situation the state council exhibited flexibility, pragmatism, and opportunism, particularly in the initial stages of restructuring the bureaucratic machinery. So, whenever it deemed it necessary, the state tried to maximize the revenue resources by remedying the terms of the contract, by splitting up the farms, and then calling for separate tenders for the parts. The state also conducted negotiations with a few prominent Chinese families. The following section will show how this process was achieved through the use of several case studies concerning both the main revenue farms and the dominant Chinese farmers, who have been the main actors in this account of the political and economic vicissitudes of Kedah.

**The Kota Star Gaming Farm and Kulim Spirit Farm 1910-1916**

The altered British policy concerning these two farms both held by Lim Eow Hong, indicates how the issue of ethnicity determined each of the different situations. In the Siamese era, political factors had driven the British and the Chinese into an alliance in their joint aspirations to play a major role in Kedah affairs. But, now the British discovered that this alliance included Western capital (mainly British), which regarded the Chinese businesses as rivals in the mounting economic competition. In contrast to the British consul’s previously sympathetic attitude towards Lim Eow Hong’s two farms (see Chapter 4), British policy after 1909 reflected a change of attitude in the continued interactions between the state council and Lim Eow Hong.

Before the British took over Kedah an agreement concerning these two farms was reached on 14 Jamadilawal 1327 (2 June 1909). By the terms of his agreement, Lim Eow Hong was to make an instalment of $10,000 on the 1 Ramadan (6 September) as security. The day after the payment fell due, the British advisor, Maxwell, went to the treasury and found that the promised instalment had not yet been paid. Maxwell instructed the state treasurer to refuse to accept the payment pending orders from the state council. One week later, Lim Eow Hong came to pay the money. His excuse was that the date had slipped his mind as no reminder had been sent to him. The state council decided that the government had the power to cancel these farms, but instead of such drastic action took this opportunity to modify the terms of the contract to the advantage of the government and pressed Lim Eow Hong to accept its modifications. Under the new terms, it was stipulated that: (i) Lim Eow Hong still had to pay a rent of $55,000 a year for the gaming farm and $14,000 for the Kulim spirit farm; (ii) the

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73 John G. Butcher, "The Demise of the Revenue Farm System in the Federated Malay States", in Modern Asian Studies, 17, 3 (1983), pp.387-412. In fact, in his paper Butcher does not devote much space to discussing the demise as such. This omission is repeated in his later paper "Revenue Farming and the Changing State in Southeast Asia", in Butcher & Dick, eds. 1993, pp.35-42.
number of the gaming houses was reduced from thirty to eleven, viz. Kota Star, Kota Sarang Semut, Sala, Changlun, Pendang, Sungei Limau, Yan, Kepala Batas, Kuala Kedah, and Sanglang. Under the old farm contract there had been gaming houses in every little village. The state council decided to abolish these and to allow gaming houses only in the towns and big villages. These new, more restrictive terms meant Lim Eow Hong was deprived of a great number of profitable sources. Therefore, Tan Kong Puah, the agent of Lim Eow Hong’s gaming farm, applied for permission to open a gaming house at Simpang Ampat on Wan Muhammad Saman’s canal. He expanded his request by asking that a police station be placed there managed by four policemen. On behalf of Lim Eow Hong, Tan Kong Puah offered to pay their salaries for as long as Lim Eow Hong held the farm. But this proposal was turned down by the state council. As a further whittling away at his profits, the farmer now lost the right to issue a pass for a small fee to any private person to manage a public gaming table in a private house. Under the new Gaming Farms Enactment 1329 (1911), this was now prohibited by Section 16. In response, Tan Kong Puah, the agent of Lim Eow Hong, applied for permission to issue passes at a reasonable charge, when he petitioned the state council to reconsider this policy. This once again was given the thumbs down by the state council.

This new government policy, which was designed to benefit the state, was also seen to be adopted in the Kulim gaming farm. When the Kulim gaming farm was due to expire in November 1911, the state council decided to change the system by: (i) reducing the number of public gaming houses in Kulim from eleven to six; (ii) permitting no one other than a Chinese to play in the gaming houses; and (iii) letting separate farms in respect of the six towns. In order to discourage what it regarded as a regrettable natural tendency of people in Kedah to gamble, the state council decided to draft an enactment to prevent anyone, including the gaming farmers, from importing playing cards into the state without permission from the police. Under these circumstances, even the British advisor admitted that the gaming farmers, for example those in Kulim, would certainly lose money. “Losing money” meant that the government took much more revenue from them. When the Kota Star Gaming contract expired in 1916, Lim Eow Hong lost the tender and Lim Thean Kee, a very influential Kedah Chinese, acquired it for $135,720 per annum.

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74 HCO 1608/1910, Minutes of State Council Meeting, 17th Ramadan 1328 (21 September 1910).
75 CO 273/374, Minutes of State Council Meeting, 2nd Jamadiilakhir 1329 (31 May 1911).
76 CO 273/374, Minutes of State Council Meeting, 7 Jamadiilakhir 1329 (5 June 1911).
77 CO 273/375/445, Minutes of State Council Meeting, 5 Syakban 1329 (1 August 1911).
78 HCO 449/1913, Minutes of State Council Meeting, 23 Safar 1331 (1 February 1913).
79 HCO 1659/1914, Minutes of State Council Meeting, 8 Muharam 1333 (26 November 1914).
80 CO 273/446, Minutes of State Council, 10 and 13 Syakban 1334 (12 and 15 June 1916). There were eight tenderers: Sim Yu Lam, Lim Thean Kee, Oo Hye Poh, Bong Ah Sim, Lim Boon Hor, Chong Ah Yu, Lim Eow Hong and Ho Kid Teik. The first tender was Sim Yu Lam from Penang for $146,400 per annum. The State Council accepted his tender but Sim rejected the offer later. So the State Council decided to accept the second tender from Lim Thean Kee.
Coming back to Lim Eow Hong’s Kulim spirit farm, the same strong challenge from the state was found to be greatly to his disadvantage. The Kulim spirit farm expired on the 30 Zulkaedah 1329 (21 November 1910), while according to his contract Lim Eow Hong was supposed to receive the farm on the 30 Rabiulawal 1330 (18 March 1911). There was therefore an interval of three months between the two farm contracts. The state council decided to request Lim Eow Hong to take over the Kulim spirit farm three months earlier, and a fresh farm contract was to be drawn up when Lim Eow Hong took over the farm.\(^8^1\) According to the terms of his original contract, Lim Eow Hong had the sole right to import and retail liquors in his farm district and could charge whatever price he liked for liquors. There was long correspondence between the state council and Lim Eow Hong concerning the alteration of the terms. After pressuring Lim Eow Hong, in the end, the state council forced him to agree to a new contract, under which (i) Lim Eow Hong had the right to charge import duties at the same rate as those in force in Alor Star, or similar to those in the Colony, but anyone else might be allowed to import what he liked for his own consumption on payment of the duty to the farmer; (ii) his rights as the sole retailer still remained the same as before, but any person might be allowed to retail beer.\(^8^2\) These harbingers of the winds of change no doubt accelerated the decline of the Chinese family business empire.

The Cancellation of the Chinese Families’ Rice Mill Monopoly 1912-1915

The challenge from the state and the concomitant decline in the Chinese family business were both clearly manifested in the issue over the rice mill monopoly in Kedah. On the 25 September 1888 (19 Muharam 1306), the sultan of Kedah had granted Lim Leng Cheak the exclusive privilege of working a steam-powered rice mill in the Kota Star district for a period of twenty years. This privilege was later extended for five years by the raja muda, and later again for another ten years by the sultan. Thus, the monopoly should end in the year 1923.\(^8^3\)

With this agreement firmly in place, till 1911 no one had been tempted to open a rival rice mill in Kedah. There were at least two considerations which accounted for its cancellation. The first of these was directly related to the establishment of the Penang Rice Combine in 1912, which secured a monopoly in the local rice trading market. Lim Leng Cheak’s heirs, the brothers Lim Eow Hong and Lim Eow Thoon, were among the most important members in the Combine (see the next part of the chapter). The second stemmed from the British takeover of Kedah in 1909 and the large-scale influx of Western capital which followed in its wake. The state reformulated its policy with the aim of creating a colonial free market economy by destroying monopolies and encouraging competition.

The policy of the government was to encourage greater competition among Chinese capitalists, even though such competition was already being fiercely waged. But, according to the milling grant, the state council had to consult Lim Eow Hong (the owner of the rice mill) before approving of any other application. In March 1913, Lim Gan applied to be allowed to build a steam-powered rice mill in the mukim of Kubang Rotan. The state council duly sent a letter to Lim Eow Hong in Penang advising him of the request. Lim Eow Hong’s reply was to the

\(^{8^1}\) CO 273/375/445, Minutes of State Council Meeting, 6 Syakban 1329 (2 August 1911).

\(^{8^2}\) HCO 1711/1910, Minutes of State Council Meeting, 8 Syawal 1328 (13 October 1910); CO 273/385/85, Minutes of State Council Meeting, 9 Safar 1330 (29 January 1912).

\(^{8^3}\) KAR, 1330 (1911-1912), pp.15-16.
effect that he would visit Kedah and ascertain whether it would be worth his while to erect a rice mill at that place, and that only then would he give a definite answer. On the 18 Rejab 1331 (23 June, 1913), the state council discussed Lim Gan’s application again. Since it had not received a definite reply from Lim Eow Hong, it was decided to request him to reply to the state council within a month definitely stating whether he intended to erect the mill or not. If he intended to do so, he must commence operations that same year, and if he did not, the state council would approve the application of Lim Gan. In July, at Lim Eow Hong’s request, the state council granted him six months to ascertain the quantity of paddy exported there and select a site for a mill. After that, Lim Eow Hong was obliged to report when, where, and of what size was the mill he intended to erect. Then, the state council would once again consider Lim Gan’s application. But when the six months’ period was up, and the state council had not received any reply from Lim Eow Hong, it decided to approve Gan’s application.

Lim Eow Hong’s inability to cope with other Chinese competitors, who were able to cut the gross from under his feet, was also reflected in An Ah Yap’s application. In June 1913, An Ah Yap from Alor Star applied for permission to open a machine-operated rice mill at Tandop, because a large quantity of rice was produced there. The state council again sent a letter to Lim Eow Hong, in compliance with the terms of the grant document. In August, the state council adjudged Lim Eow Hong’s reply vague, and decided to send another letter, requesting him to state definitely whether or not he was prepared to erect a mill at Tandop. If he agreed, he had to commence building operations within six months; if not, permission would be given to An Ah Yap. On 3 October, Lim Eow Hong wrote to the Council to say that he would not undertake to erect a rice mill at Tandop himself. Whereupon An Ah Yap was granted permission on the 25 October.

The sultan’s grant document of 1888 had not only circumscribed the powers of the state council, it had also failed to meet the requirements of the Kedah rice economy. On 22 November 1913 Lim Au had applied to erect a small steam rice mill on the banks of the Sungai Jerlun. As already mentioned above, the more serious challenge to Lim Eow Hong’s privilege came from the competition offered by Lim Thean Kee when he threw down the gauntlet, happy to have in its compass a strategy to fight against the Rice Combine, the state council not only encouraged the other Chinese competitors, it also began to challenge the Lim Eow Hong’s privileges directly. The arguments adduced by the state were:

First and foremost, as a legal technicality, it was argued that the sultan’s document had not received the approval of the Siamese government. Secondly, and more directly practical, according to the terms of the grant document of 1888, if the output of the paddy in the

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84 CO 273/400, Minutes of State Council Meeting, 18 Rejab 1331 (23 June 1913).
85 CO 273/400, Minutes of State Council Meeting, 26 Syakban 1331 (31 July 1913).
86 CO 273/410, Minutes of State Council Meeting, 17 Rabiulawal 1332 (12 February 1914).
87 CO 273/400, Minutes of State Council Meeting, 18 Rejab 1331 (23 June 1913).
88 CO 273/400, Minutes of State Council Meeting, 17 Ramadan 1331 (20 August 1913).
89 CO 273/401, Minutes of State Council Meeting, 23 Zulhijjah 1331 (22 November 1913).
country increased and if consequently Lim Leng Cheak at any time should fail to build enough steam-powered mills to deal with the increase, the document in question would become null and void. Lim Leng Cheak had actually built two mills at Alor Star, but only one was working. The annual report of the harbour master in 1331 (1912-13) indicated that there were 14,230 koyans of paddy but only 2,853 koyans of rice were exported during that year from the district of Kota Star. Accordingly, on 3 Rejab 1332 (28 May 1914), the state council considered that one mill could not deal adequately with such an excess of paddy, and in consequence decided that Lim Eow Hong should start to build the second mill immediately. Lim was asked to reply within one month. If he agreed to the proposal, he might be granted three months to organize the construction of a new mill. If no reply was received within one month, or if he failed to start within three months, the monopoly document would thereupon be regarded null and void. Lim Eow Hong replied that he was willing to put up the second mill, and asked for twelve months to import machinery from Europe. Because the delay in reply to Lim Eow Hong was caused by gross negligence of a clerk in the advisor’s office, the efforts undertaken by the government to induce Lim Thean Kee to start a rival rice mill came to nothing. Given the circumstances, the state council decided to grant Lim Eow Hong six months instead of the twelve months he had requested, dated from the September 1914. But after the six months had elapsed, Lim Eow Hong had still failed to start building the second mill at Alor Star. So, in accordance with the decision made at the meeting of 3 Rejab 1332 (28 May 1914), on the 13 Jamadilawal 1333 (29 March 1915) the state council decided to cancel the rights conferred by the document (surat ampun kurnia) given to Lim Leng Cheak by the sultan ahead of schedule.

The Export Duty on the Paddy Farm
Financial considerations were clearly important in the export duty to be paid by the paddy farm. The rampant competition between the Kedah government and the Chinese millers centred on the question where the new marginal revenue should go. Owing to the large influx of immigrant labour, the paddy export from Kedah had experienced a large increase, but the export duty on paddy and rice in Kedah had been fixed by the Treaty of 1869 and had been maintained at that rate ever since, i.e. paddy was $4 per koyan and rice $8 per koyan. In 1911, the state council decided to raise the duty as from 1912, but the right of collecting export duty on paddy and rice was leased to the Penang farmer Lim Cheng Teik, the eldest son of pioneering miller, Phuah Hin Leong, and partner of Choong Cheng Kean. At first it was intended that the government should collect all the duty itself and pay his due proportion over to the farmer. This plan foundered on the vociferous objection of Lim Cheng Teik. Later an agreement was reached to the effect that: i) the state council would allow Lim Cheng Teik to collect the duty himself, but the duty in excess of the amount fixed in the old farm contract should be handed over to government; ii) the farmer should appoint Malay clerks and keep all accounts in Malay at every place; iii) all clerks and revenue officials should be selected

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90 CO 273/411, Minutes of State Council Meeting, 3 Rejab 1332 (28 May 1914).
91 CO 273/412, Minutes of State Council Meeting, 4 Zulkaedah 1332 (24 September 1914).
92 CO 273/426, Minutes of State Council Meeting, 13 Jamadilawal 1333 (29 March 1915).
and placed under the control of the harbour master, and others in a similar vein. The export duty was raised to $5 per koyan paddy and $10 per koyan rice. The rate was raised by $2 and $1 respectively. Owing to the failure of the paddy harvest, the government imposed an export restriction policy for the whole of 1912. As a result, there was absolute prohibition on export for five months. It caused the farmer, Lim Cheng Teik, to suffer a great loss. This led to a serious dispute between the farmer, Lim Cheng Teik, and the Kedah government, over their respective revenues. After the intervention of the High Commissioner, the state council acceded to Lim Cheng Teik’s request for a remission of the farm rent for five months.

The General Farms Leased By Choong Cheng Kean
The general farms case suggests that the state did not cancel the revenue farming system absolutely with one stroke of the pen. It separated them out first and then called for new tenders. This unequivocally exposes the opportunistic and pragmatic side of the state.

For a number of years, Cheng Kean had managed and controlled the Langkawi big farm on behalf of Mah Wan Besar, the mother of the sultan. The opium farm in Langkawi had been excluded from the Penang-Kedah opium syndicate and operated separately. This suggests that the Langkawi farm, as an ampun kurnia had been given by the sultan to his mother, who relet it to Cheng Kean for management. The Langkawi big farm comprised the exclusive rights in respect of chandu, liquors, pawnbroking, gambling, the port dues farm, the fowl and fish export duty farm, and a number of others. In 1902, Cheng Kean paid his deposit of $20,000 to Mah Wan Besar for a further term of eight years commencing from 1910. In 1905, when the Siamese financial advisor was appointed and an audit was held, as the head of the Langkawi general farm, Cheng Kean was found by the auditor-general to be charging duties higher than was permitted. On these grounds, the state council decided to revoke the licence of the Langkawi farm in order to impress upon all revenue farmers that improper manipulations would not pay. Whatever lesson it may have wished to teach, it is interesting to note that Cheng Kean continued to carry on running this farm, which was No. 11 in the list of farms in force in the British advisor, Maxwell’s, annual report, till 1910. This grace might have been related to Cheng Kean’s connection with Mah Wan Besar, the mother of the sultan. The reletting of the farm was not recorded at the audit office, and no government officer appears to have been aware of it. Upon his first visit to Langkawi, Maxwell discovered its existence when he inspected the various farms and scrutinized their documents. In 1910,
after a prolonged process of bargaining, Cheng Kean agreed to surrender them to the government on the condition that his deposit be refunded, plus 12% interest per annum, about $16,800. This is just only one of the business transactions between Cheng Kean and the sultan’s mother to be found in the sources available.

4 The Rice Combine 1913-1918

Although the government took over the most important opium sector from Chinese revenue farmers, it still had to depend on both the immigrant community and their trading networks for the maintenance of opium sales and its consumption. This was also essential to the management of the on-going boom in the rubber planting economy, into which Western capital was moving on a large scale. However, a new enterprise industry, namely the rice milling industry, began to prosper coinciding with the rubber boom and the large immigrant wave which came in its train. In this new economic sphere, competition between the state and the Chinese business interests intensified.

The controlling interests in the rice milling community were a few Penang Chinese families whose background has been dealt with before. As these immigrants were engaged mainly in the colonial cash-crop economy, they had no facilities for the production of rice. Malaya became highly dependent on the imports of rice from other countries, which comprised over 60% of its total consumption in the pre-World War II period. As it was aware of these figure, for the local rice milling industry, this no doubt provided an important dynamic and the prospects of a huge potential market. These elements contributed to the government allowing the milling industry to be left entirely in the hands of the Chinese rice millers without seeking to manoeuvre the involvement of Western capital.

Despite the recognition by the government of the extent of its dependence, the rice milling business still provided the arena for a very intensive showdown between the colonial government and the Chinese millers. The importance of the rice milling economy to the government lay in its central position in the whole political and economic strategy. Just as labour was the mainstay of the colonial rubber and tin economy, so was rice the mainstay of labour in Malaya. Cheap rice meant cheap food; cheap food meant cheap labour. In its turn, cheap labour meant cheap production costs, more profits, and continued economic prosperity to serve the interests of the rubber planters, tin-miners, and the government. In the context of this work, the rice milling industry provides an interesting case to show how it linked up with both the general political economy and the interests of the different sectors of society at the regional and local levels in this particular period of Kedah politico-economic history.

Studies in the history of the Southeast Asian rice industry have been confined to the main rice-producing countries such as Thailand, Burma and Indo-China. Belated interest has

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now appeared in the rice industry in Malaysia, which has focused mainly on the Green Revolution, which began in the 1970s, although there were several important surveys in the 1950s.\footnote{A.M. Thomson, Report to the Government of the Federation of Malaya on the Marketing of Rice, FAO, Rome, 1954, pp.1-68; E.H.G. Dobby et al, "Paddy Landscapes of Malaya", in The Malayan Journal of Tropical Geography, Vol.VI, October 1955, pp.1-94.} The 1970s Green Revolution in the Kuala Muda area of Kedah has produced a many good studies by both local and international scholars.\footnote{Otto Charles Doering III, Malaysian Rice Policy and the Muda River Irrigation Project, PhD. dissertation, Cornell University, 1973; R.D. Hill, Rice in Malaysia: A Study in Historical Geography, Kuala Lumpur, OUP, 1977; Afifuddin bin Haji Omar, Peasants, Institutions, and Development in Malaysia: The Political Economy of Development in the Muda Region, Ph.D dissertation, Cornell University, 1978; Diana Wong, "Rice Marketing in Kedah, Malaysia", working paper No.6, Faculty of Sociology, University of Bielefeld, 1981; Diana Wong, Peasants in the Making: Malaysia's Green Revolution, ISEAS, Singapore, 1987; Rodolphe De Koninek, Malay Peasants Coping with the World: Breaking the Community Circle?, ISEAS, Singapore, 1992; Mario Rutten, "Business Strategy and Life-Style: Owners of Combine-Harvesters in North Malaysia", in Kajian Malaysia (Journal of Malaysian Studies), Vol. XIV, Nos. 1 & 2, 1996, pp.112-150.} However, as mentioned above, the majority of these studies are concerned with the contemporary period. Studies on Malaya’s rice industry before World War Two have been few, in contrast to those in many other Southeast Asian states.\footnote{Ahmad bin Sa’adi, "The Development of Malaya’s Rice Industry 1896-1921", An Academic Exercise, University of Malaya, Singapore, 1960; Ding Eing Tan Soo Hai, The Rice Industry in Malaya 1920-1940, Singapore, 1963; James C. Jackson, "Rice Cultivation in West Malaya", JMBRAS, Vol.45, Part II, 1972, pp.76-96; Cheng Siok-Hwa, "Pre-War Government Policy for the Rice Industry of Malaya", JSSS, Vol. 27, Parts 1 & 2, December 1972, pp.26-40; Cheng Siok-Hwa, The Rice Trade of Malaya, University Education Press, Singapore, 1973, pp.1-44; Lee Say Lee, "A Study of the Rice Trade in Kedah Before and During the Japanese Occupation", Malaysia in History, Vol. 24, 1981, pp.109-116; Paul H. Kratoska, "Rice Cultivation and the Ethnic Division of Labor in British Malaya", CSSH, Vol.24, 1982, pp.280-314; John Overton, "The State and Rice Production in Malaya in the Later Colonial Period", RIMA, 1989 (23), pp.16-34; Paul Kratoska, "The British Empire and the Southeast Asian Rice Crisis of 1919-1921", Modern Asian Studies, 24, 1 (February) 1990, pp.115-146} These have tended to focus on the colonial government policy at level of the whole state without reference to the activities of the rice businessmen, let alone their interactions with the government. They also treat the rice industry as equivalent to rice cultivation. In this frame of mind, paddy cultivation, government policy, and its ethnic implications became their main concern. With reference to the most important linkage, the rice milling industry, almost nothing has been studied. In the following part, by focusing on the Chinese rice milling community, an attempt will be made to show how each elite Chinese family was incorporated into the whole regional rice milling business network with active interactions with the state.

Co-operation and Monopoly

Two patterns in the rice trade are relevant to our discussion. One pattern was connected to the international rice import-export trade. At the international level, there was a highly integrated rice market in Asia. Siam, Burma, and Indo-China were the three major supply centres. Conversely the Malay Peninsula was also one of the most important rice-importing markets in the world. Rice was imported from these three countries and re-exported from Singapore to the Netherlands Indies, from Hongkong and then re-exported to Japan and the Philippines, as well as to mainland China. At the national level, Singapore, Penang, and Kuala
Lumpur were the three distribution centres. Rice was imported from outside and redistributed to the respective neighbouring states. The other pattern was related to the local rice milling business in northern Malaya. These millers dealt mainly in milling local rice, rather than rice from Siam, Burma, and Indo-China. Despite this internal focus, they were greatly influenced by the changing situation in the first pattern. These millers were situated in or near the large rice-producing districts of Kedah, Province Wellesley, Penang, and northern Perak (Krian). At the regional level, the trading activities were basically confined to the northern triangle. Apart from their own local paddy, Penang and Perak depended mainly on Kedah for their paddy supply. Paddy was imported from Kedah and milled in Penang, Perak, and Province Wellesley. Besides supplying for local consumption, the milled rice was exported to the other FMS, northern Sumatra, even to Ceylon, and sometimes to Hongkong and mainland China. Finally at the local level of Kedah, the rice millers were concentrated in the northern Kedah areas centred on the Kota Star district. The rice and paddy trade route moved in direction from the west to the east, and finally turned south to Penang and to the southern state of Perak. The port of Kuala Kedah, near Alor Star, was the major loading point in the Muda region. Ports at Kuala Perlis, Langkawi, and Yan formed the hinterland collection centres of Kuala Kedah.

Centred on the axis of the Penang-Kedah milling community, there had been a functional rice miller hierarchy for the whole region of north Malaya, which was controlled by a few of the interrelated Penang Chinese families mentioned before. These Penang Chinese families formed a top layer of the Chinese rice millers’ pyramid. They were the Phuah (Lim) Hin Leong family, the Lim Leng Cheak family, and the Choong Cheng Kean family. These families’ control over the rice milling networks continued through the second generation, namely the brothers Lim Cheng Teik and Lim Cheng Law, of the Phuah (Lim) Hin Leong family; the brothers Lim Eow Hong and Lim Eow Thoon, of the Lim Leng Cheak family; and the brothers Choong Lye Hock and Choong Lye Hin, of the Choong Cheng Kean family. The rice milling business history of north Malaya before the World War II is basically their family history (for Genealogical Trees, see Appendices).

In Malaya, the paddy for the Chinese rice mills came mainly from the local market, even though that market was quite limited. Usually the mills did not run full-time throughout the year. They usually worked about twenty days a month, sometimes they worked only half-time. The dearth in the supply market for paddy contrasted sharply with the surplus production capacity of the rice mills. This yawning gap made it imperative for the Chinese millers to attempt to control and co-ordinate the whole Malayan regional rice milling market. But, although this process required both formal co-operation and it also carried the seeds of potential competition and conflict within the community. It witnessed their unceasing efforts to form a combine to monopolize the whole regional milling and trading networks. The main purpose was to avoid competition and reduce risk while performing a delicate balancing act and monopolizing the whole north Malayan rice milling and trading market. As early as in 1909, four Penang rice mills formed a rice milling ring under the corporate name "Tai Chuan Co." They were Phuah Hin Leong’s Khie Heng Bee, Lim Leng Cheak’s Chip Hong Bee, Chuah Yu Kay’s Sin Khie Bee, joined by another mill Joo Cheang Co.¹⁰⁴ Not much more information is known about this ring. The "Tai Chuan Co." may have been the predecessor

¹⁰⁴ PSP, 1 June 1909.
of the regional milling organization, "the Rice Milling Agency", which was formally opened in January 1913. There were altogether seven mills in "the Rice Combine", four in Penang, one in Kedah, one at Parit Buntar (Perak) and one at Prai, Province Wellesley.\footnote{The Malaya Tribute, 3 February 1915.} Its Chinese name was "Tai Yu Co." and it had a starting capital of $1,000,000, which was divided into twenty shares.

The partnership agreement of the Rice Combine covered the five years from 1913 to 1918. During this period, there was some progress and some development. In an attempt at rationalization, the Combine also closed three mills - one in Penang and two in Province Wellesley. For a time, the Combine worked the other four at a large profit. But with the erection of a second mill in Krian and another mill in Alor Star profits began to fall. Two of the Penang mills had been put out of action by fire.\footnote{PGSC, 10 February 1919.} One was the older mill, Khie Heng Bee, which was burned down in February 1918.\footnote{For details, see PGSC, 6 February, 22 & 23 march, 3 April 1918.} The other mill may probably have been Lim Eow Thorn’s Chip Hong Bee, as its name disappeared from the press about this time. Therefore until the end of 1918, there were eight large rice mills all operating in the region (see Table 6.1). Another important development was the decision of the government to build mills in Kedah and Krian. This is what finally broke up the Combine. In 1918, the partnership agreement terminated and the partners carried on the business independently until 1919.

Table 6.1 : The Penang Chinese Families Controlling the Regional Milling Interests 1880s-1941

<table>
<thead>
<tr>
<th>No.</th>
<th>The First Generation</th>
<th>The Second Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Phuah Hin Leong</td>
<td>* Lim Cheng Teik</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Lim Cheng Law</td>
</tr>
<tr>
<td>2.</td>
<td>Lim Leng Cheak</td>
<td>* Lim Eow Hong</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Lim Eow Thoon</td>
</tr>
<tr>
<td>3.</td>
<td>Choong Cheng Kean</td>
<td>* Choong Lye Hock</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Choong Lye Hin</td>
</tr>
</tbody>
</table>
## Table 6.2: Mills Controlled by Rice Milling Co. 1913

<table>
<thead>
<tr>
<th>Mill</th>
<th>Principal Owner</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chip Hong Bee</td>
<td>Lim Eow Thoon</td>
<td>Penang</td>
</tr>
<tr>
<td>Khie Heng Bee</td>
<td>Lim Cheng Teik</td>
<td>Penang</td>
</tr>
<tr>
<td>Ban Hock Bee</td>
<td>Choong Lye Hock</td>
<td>Penang</td>
</tr>
<tr>
<td>Joo Cheang &amp; Co.</td>
<td>Khoo Sin Hoh</td>
<td>Penang</td>
</tr>
<tr>
<td>Chip Bee</td>
<td>Lim Eow Hong</td>
<td>Alor Star/Kedah</td>
</tr>
<tr>
<td>Kwong Mee</td>
<td>Heah Swee Lee Leong Fee</td>
<td>Prai/P. Wellesley</td>
</tr>
<tr>
<td>Kwong Jin</td>
<td></td>
<td>Parit Bundar/Perak</td>
</tr>
</tbody>
</table>

### Conflict and Compromise

The other face of the Rice Combine revealed an ongoing process of internal conflict and compromise. This was reflected in their endless negotiations, quarrels and legal disputes. It should be noted that outside the Combine, there were three other rice mills, which belonged to the same families as those involved in the milling syndicate. These mills were Choong Lye Hin's "Ban Hin Bee", Lim Cheng Law's "Cheng Law & Co." in Penang, and the "Kwong Hin Mill" in Parit Buntar (Perak). This arrangement might have been a strategy to appease public opinion and the government, as the Combine generated intense public debate in the local newspapers. To quote one observation, "It would appear to be a sort of family arrangement to work for mutual profit while keeping up a semblance of competition". But, on the contrary, it might again suggest that the internal conflict within the Chinese milling community was quite intense.

In January 1912, a plan was mooted by the rice millers to combine and to form a syndicate to run various mills for a number of years at a certain rental. The idea was the brainchild of Lim Eow Thoon. Lim Eow Thoon was the son of the late Lim Leng Cheak, the owner of a big rice mill in Kedah who had held a rice monopoly for quite a long time in the same state. But owing to the reservations expressed by the other millers, the negotiations took a long time before the final agreement was reached. In January 1912, Lim Eow Thoon turned first of all to Lim Cheng Teik, the owner of the "Khie Heng Bee" rice mill at Sungei Pinang. Lim Cheng Teik approved of the proposal to form a syndicate or combine all the rice mills. According to evidence produced by Lim Eow Thoon, Lim Cheng Teik also agreed that the said rice mill Khie Heng Bee should join the syndicate. But Lim Cheng Teik had some reservations.

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108 It refers to the court case between Lim Eow Thoon and Lim Cheng Teik and his brother-in-law, Chual Chooi Ghee. The damages claimed amounted to $660,000 in total. This will be examined in detail in the following section.

109 For details, see PGSC, 29 December 1912, 14 & 15 January 1913; The Malaya Tribute, 3 February 1915.

110 HCO 880/1917, Maxwell’s Memorandum on the Rice Mills.

111 SE, 10 December 1912.
In fact, he was playing for time. His attitude was that of 'wait and see'. He told Lim Eow Thoon that as a precondition, he should put the matter before the other millers and obtain their agreement first. So, Lim Eow Thoon went to the other millers and after consultation, they agreed to lease their mills. Maybe he also played the same game as Lim Cheng Teik by stating that the latter supported that scheme. Then, Lim Eow Thoon saw Lim Cheng Teik again and informed him of the results of his inquiries. On 11 April 1912, an agreement was entered into between Lim Cheng Teik and Lim Eow Thoon. After this, Lim Eow Thoon obtained the options on the remaining six mills respectively:

<table>
<thead>
<tr>
<th>Name of Mills</th>
<th>Date of Option</th>
<th>Amount of Rent ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joo Cheang</td>
<td>27 April 1912</td>
<td>3,000</td>
</tr>
<tr>
<td>Kwong Mee</td>
<td>29 April 1912</td>
<td>4,000</td>
</tr>
<tr>
<td>Kwong Jin</td>
<td>24 May 1912</td>
<td>6,000</td>
</tr>
<tr>
<td>Ban Hock Bee</td>
<td>8 June 1912</td>
<td>3,500</td>
</tr>
<tr>
<td>Chip Hong Bee</td>
<td>10 June 1912</td>
<td>2,500</td>
</tr>
<tr>
<td>Chip Bee</td>
<td>10 June 1912</td>
<td>4,500</td>
</tr>
</tbody>
</table>

No sooner did the deal seem nicely rounded off, disputes arose. This time Lim Cheng Teik complained that the rents of some of the mills were too high. In the schedule to the said agreement of the 10 July, the monthly rent of the Khie Heng Bee was stated to be $4,500, that of Joo Cheang and Co. $2,750, and that of Chip Hong Bee & Co. $2,500. On 11 June, there was a meeting of the representatives of the mills which were to form the Syndicate, at which the question of Lim Eow Thoon’s commission from the syndicate was also discussed. Lim Eow Thoon himself was not present. Subsequently Lim Cheng Teik told him that they agreed to pay him $2,000 a month for a period of ten years, or as long as the syndicate lasted. But the condition was that Lim Eow Thoon should get their rents reduced, in the case of Kwong Jin by $1,000 and Kwong Mee by $500. Accepting the challenge, Lim Eow Thoon grasped the nettle, and did so. By the 10 July, the arrangements with the other mill owners were completed, and then a document was signed by Lim Cheng Teik and the

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112 PGSC, 11 December 1912.

113 (a) By clause 1, "The Lessors upon payment of dollars five ($5) by the Lessee to them (the receipt whereof they hereby acknowledge) agree to give an option of six (6) months from the date hereof to the Lessee to lease all the properties hereafter mentioned." (b) By clause 2, "Upon receipt of a written notice from the Lessee at any time before the expiration of the said six (6) months stating that he is prepared to exercise his option the Lessors shall execute a lease of all the properties hereinafter mentioned containing (inter alia) the following terms and conditions". (c) Clause 3, a general description of the properties hereinbefore referred to including lands and hereditament marked red in a plan hereto annexed and -- together with one complete Steam Rice Mill with all its appurtenances and known as 'Khie Heng Bee' and all offices, godowns, workshops and all immovable appurtenances attached thereto together with all "the machinery plant tools paddy boiling pans electric plant fittings and lights the aerial ropeway the appliances in the said workshop and all other the appurtenances to the said Rice Mill and premises belonging and actually used in connection therewith". (d) By clause 5, it was provided that the term of the said lease should be ten years to commence two months from the date when the Lessee should exercise his option and that monthly rental in respect thereof should be $4,500. See SE, 10 December 1912.

114 The latter figure might be wrong. It should be $2,250. See SE, 10 December 1912.
other mill owners, whereby the parties signing the same, agreed to become partners in a syndicate to be called "the Rice Milling Combine". Provision was made that the capital should be $1,000,000, and divided into twenty shares of $50,000 each. Lim Cheng Teik thereby agreed to subscribe to three shares out of the twenty. But the matter was far from finished. Lim Cheng Teik denied that the arrangements were complete. He said that on that very day at least three of them, namely Chop Chip Bee, Chip Hong Bee, and Joo Cheang, had insisted, and would continue to insist, that the rents should be fixed on the option agreements mentioned above. They stated that they would not lease their mills except upon an increase of $250 per month of their respective rents as mentioned therein. On 10 July, they refused to sign the said document, because they objected to the reduced rents.

On the same day, three documents were signed by both Lim Cheng Teik and Lim Eow Thoon. One document related to the formation of the Combine. The other two stipulated the rights and responsibilities of each party. The third such document spelt out the whole deal in words and figures. A step in the right direction, but, owing to the refusal of the other millers to sign the syndicate document, further negotiations needed to be held before 20 August. On that date, however, the rents of Chip Bee and Chip Hong Bee were being reduced by $250. According to Lim Eow Thoon, he met Lim Cheng Teik and told him that he had obtained the reduction in the Chops' rent and would do the same for Chop Joo Cheang's later on. On the 23rd, Choong Lye Hock and Chuah Kee Ee signed on behalf of Ban Hock Bee. On the 27 August Khoo Sin Koh signed for Chop Joo Cheang. On the 28th, Lim Eow Hong put down his signature. But Lim Cheng Teik said that he had no knowledge that Lim Eow Thoon had been continuing these negotiations.

What was the real motive behind Lim Cheng Teik's opposition? It is clear he was not enthusiastic about the Combine and had his own private reservations. This appears from his scarcely concealed distrust of Lim Eow Thoon, and may have arisen from their relationship as prominent businessmen competing at the same level. According to the evidence given by Lim Seng Hooi in the court case in 1912, who was the managing director of the Criterion Press Ltd. and partner of Lo Ban Chuan, Lim Cheng Teik complained that Lim Eow Thoon was always doing things in an underhand manner. When the witness asked what he was complaining about, he said "Never mind. There are too many of them". Ten days later, Lim Eow Thoon again asked the witness to see Cheng Teik. The latter said he did not want to become involved in the kongsi, the reason being that the crop was poor and would not be sufficient to supply the mills. He said that if the kongsi were to be set up, this should happen the next year, and, it would be more advisable to form a limited company. In other words, from his prevarications it was quite plain that Lim Cheng Teik would not go into the kongsi. This attitude was also reflected in Chong Lye Hock's evidence. He was the partner of Ban Hock Bee and a director of the Eastern Shipping Co. Ltd. After this witness and Chuah Kee Ee had signed the option on 8 June, Lim Cheng Teik met him at the Chinese Cycling Club and asked why witness had signed the partnership agreement so soon.

115 For the text of document, see SE, 10 December 1912.

116 SE, 12 December 1912.

117 PGSC, 12 December 1912; SE, 12 December 1912.
In the end, thwarted by Lim Cheng Teik’s procrastination and obstinate refusal to carry out his agreement of the 10 July, the syndicate could not be set up, for it was a natural condition of the agreement between the mill owners that, if all did not come in, then the scheme would fall through. Thwarted in his ambitions, Lim Eow Thoon sued Lim Cheng Teik and his brother-in-law, Chual Chooi Ghee. The damages claimed amounted altogether to $660,000. Although the case was finally settled out of court, it discloses that the latent internal conflict within the Chinese milling community had already surfaced.\footnote{For detail of the court case, see a series of reports in SE, 10/12/1912, 11/12/1912, 12/12/1912, 13/12/1912.}

The State and the Combine

Strong reactions to the Combine came from three sides, the British administration in Malaya and the Kedah government, the rubber planters, and the tin miners, all of which stood for the same interests: the maintenance of a large, low-cost labour force. They thought the Combine would attempt to monopolize the market and control the supplies and prices. So, during 1912-1913 the local newspapers were lavish in their criticisms of the Combine. The Kedah government’s reaction seemed to be particularly vehement, for the wealth of Kedah depended on its rice-fields. In its policy on rice milling and trade the state council had been carefully monitoring and controlling the movement of paddy and rice. The state council considered that "...this Combine may bring trouble upon the country, because the rice mills can arbitrarily fix both the purchase price of paddy and the selling price of rice; and all competition in the rice trade will be stopped."\footnote{CO 273/398, Minutes of State Council Meeting, 21 Muharam 1331 (31 December 1912).} So, the state council appointed a committee consisting of the advisor, the secretary to government, the state engineer, and the superintendent, to make enquiries into this matter. Several measures were taken by the state to oppose the Combine:

(i) One was to declare the Combine to be an illegal body. The objection to this proposal was that similar legislation in other states had proved to be practically useless.

(ii) Another was to assist some Kedah Chinese mills to enter into competition with the Combine. In 1914, a prominent Kedah Chinese, Lim Thean Kee, applied for permission to build a rice mill at Alor Star and for a government loan of $125,000. Maxwell, the British advisor to Kedah, made a note as follows: "This man proposes to open a rice-mill at Alor Star to compete with the Rice Combine. Such an enterprise is deserving of all encouragement from the Government." The state council imposed eight strict conditions, including that of having no truck with the Combine.\footnote{CO 273/411, Minutes of State Council Meeting, 27 Jamadilawal 1332 (23 April 1914).} In September, repudiating the loan terms Lim Thean Kee made fresh counter proposals. And in view of an expected fall in the revenue next year, his application was rejected.\footnote{CO 273/412, Minutes of State Council Meeting, 20 Syawal 1332 (10 September 1914).}

(iii) The third was that the government should build and manage a mill, or even a number of mills. The state council invited J. Reid from Rangoon, a managing partner in a very large rice mill there (Messrs Dickmann Bros. Co., Ltd.), to visit Alor Star and report. In February 1914,
Reid submitted a detailed report, recommending the constructing of a government mill and was confident of its success. In 1918, the British advisor in Kedah was informed by the High Commissioner that he should advise the state council to take over the project at once and manage the Alor Star rice mill. The legislation was then passed giving the government power to take over the mill. The scheme was estimated to cost $368,600 and would take eighteen months to complete. But the problem was how to get access to the experienced management and trading networks, particularly if the object was "to reduce the cost of rice to the consumer, the most detailed elaboration is required", as the British advisor reported. This scheme was hence put on one side.

(iv) To enhance the paddy price and depress the rice price, the government’s other effort was to break the Chinese rice millers’ financial ties with the Malay peasantry. This refers to the very common practice of the advance sale system of paddy, known as "paddy kunca". The majority of the paddy-planters had fallen into the clutches of Chinese paddy dealers owing to their debt relationship with the latter. At the beginning of every planting season, through paddy dealers, the rice miller advanced loans to most of the Malay cultivators. The miller would provide the cash loans in exchange for paddy at the harvest time. The practice has been heavily criticized for its exploitative nature. The cultivators are required to pay back their loan to the miller in paddy at a price under the market rates, and at exorbitant interest rates. However, the "paddy kunca" system raises complicated social, economic, and political questions. For the Malays, it was essentially an answer of sorts to the social issue of poverty. For the Chinese miller, it was primarily an economic issue, through which the miller not only guaranteed the supply market of paddy producers, but also made a profit as a capitalist. The British, however, saw it much more as a socio-political issue than a purely economic one, on the basis of their overall considerations as was mentioned above. Therefore, the

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122 HCO 550/1914, Erection of a Government Rice Mill at Alor Star in Opposition to the Rice Combine’s Mill.

123 See for example, HCO 1578/1915, Special Terms for Titles for Paddy Cultivation in Kedah; HCO 880/1917, Memorandum on the Erection of a Rice Mill.

124 HCO 600/1918, Proposal That Kedah Government take Over and manage the Alor Star Rice Mill.

125 The interest rate was rather high, in some cases up to 40% or 60% in 1920. See SUK/K Co-operative Rice Planting Societies as to Possibility of Introducing in Kedah.

126 A historical examination of the "paddy kunca" system suggests that it is not a simple black and white issue. The original idea of "paddy kunca" was to help and encourage poor Malay paddy cultivators on behalf of the sultan, and to guarantee the paddy supply market for the miller. In 1891, there was a debate over Lim Leng Cheak’s rice mill in Kedah. The SIPC charged Lim Leng Cheak with exploitative conduct by entering into a contract with the cultivators in advance, while the PGSC argued that it saw "nothing particularly immoral" in it. On the contrary, the PGSC argued that the result was that many more Malays were going into paddy planting, the cultivation was rapidly expanding and Kedah was being developed. In 1893, when discussing a scheme to encourage paddy planting, the British were very interested in Lim Leng Cheak’s experience in providing advances to the Malay peasantry. The colonial secretary W.E. Maxwell suggested that "some such system might with advantage be introduced in connection with the development scheme...". When there was a famine and failure of paddy crops, the old farmer Lim Leng Cheak gave up the farm and the new farmer Phuah Hin Long came in. At the request of the sultan, the new farmer pursued the same practice of advancing to the cultivators. The same SIPC admitted that the new farmer should assist the cultivators with food, otherwise that situation would become worse than before. Also, in his report to the Kedah Government in 1928, H.W. Jack, the
government's policy after 1909 was basically centred on the rivalry with Chinese rice-millers for the control of the Malay peasantry. The government loan scheme in 1910-1916 and the Credit Society for paddy planters in the late 1910s were both aimed at destroying the Chinese intermediary hold over the Malay peasantry. It was claimed that its object was to "Keep the Malay paddy-planters out of indebtedness to the Chinese paddy-dealers," to "release them from the clutches of the 'Rice Combine'". However, all these efforts failed in the end, although earlier the government had boasted of its great success. As early as 1917, even the British district officer in Perak thought the government loan scheme was "A failure although it...gave some temporary relief". The most serious defect was its fixed time for repayment at the harvest. This exacerbated the paddy market situation, as the paddy planters had to repay their loans in paddy crop simultaneously to the government, Chinese paddy dealers, and the "Chetties" [Indian money-lenders]. In the 1920s, there were many reports that the Malay paddy planters were unable to repay their government loans even by selling their cattle. Many of them were prosecuted by the government.

Summary
After 1909, the redefinition of the political position of Kedah, the emerging boom in the rubber planting industry, and the large-scale influx of Western capital had shaken the basis of the old British-Malay-Chinese relationships. All the former institutions of the British consul, the revenue farms, and Chinese family businesses accordingly underwent great transformations. The political and economic system in Kedah was reconstructed on the basis of a new colonial political and economic order. This led to the struggle for the control over the local society, people, and resources not only between the traditional Malay elite and the modern British administrators in the state apparatus, but also between the Chinese revenue farmers and the state council. The eventual aim of the struggle for hegemony was to bring Kedah into the orbit of the British colonial capitalist economy by destroying the old traditional Malay relations of production and creating a relatively modern liberal market system. With the incorporation of Kedah into the sphere of British colonial rule, the domestic power

128 HCO 880/1917, Loans to Paddy Planters by R. Clayton, District Officer, Krian, Perak.
129 SUK/K 1377/1340, Postponement of Payment of Loans of Paddy Planters, by assistant Adviser, land Office, North Kedah, 11 March 1922. See also, SUK/K 1325/1340, Saad B. Haji Ahmad, & Others, Padang Pusing: Ask for Time to Pay their Loans to Government; SUK/K 1528/1340, Haji Hassan bin Haji Md. Salleh & Others, Pengkalan Kundur: Ask for Time to Pay their Loans to Government.
130 SUK/K 186/1343, Permission to Sue Debtors in Connection With Loans for Paddy Planting, Harbour Master, Alor Star, 11 Muharam 1343 (11 August 1924).
struggle, rather than international and regional hegemony, was redefined and redirected into multi-ethnic conflict and competition.

Kedah state fell under British political control, but its bureaucracy was administratively staffed by the Malays and economically, partly at least, dominated by the Chinese. The state and family, or Malay-Chinese, relationships changed with the alteration of British-Malay political relationships. In their political and economic relations with the Malays, the Chinese businesses could no longer enjoy British protection as they had done in the past. The boot was now on the other foot, and the British joined the Malays and shared power with them to create a modern state. This state became stronger than it had been before; and the Chinese family business's role in relation to the state was greatly diminished. In part they had to cede their influence in facing the challenge of the modern state, but they were now also confronted with the competition from both Western capital and rival Chinese businesses. The modern state had been transformed into a state consisting of the British and the Malays in partnership, with the Chinese excluded. The long and difficult process of evolving new power mechanism was being created. The British, however, did not have it all their way as some of their schemes met with active Malay resistance. The Malays were divided into the old traditional elite centred on the sultan and the new elite centred on the president of the state council, Tunku Mahmud. The British found Chinese understanding in their political-legal conflict with the Malays. The Chinese found their common economic interests with the old Malay elite in their struggle against the British administrators' effort to destroy the ampun kurnia system. Both the British administrators and the Malay elite on the state council undertook to break up and reclaim the Chinese revenue monopolies for the state. They shared the same interests in waging a war against the Penang Chinese Rice Combine for the sake of the welfare of Kedah state itself. They did this by splitting up the Chinese business groups, by the expedient of playing the Penang Chinese against the Kedah Chinese. Through the state council they encouraged this competition between the Chinese.