Jebat: Malaysian Journal of History, Politics & Strategic Studies
52(4)(2025): 684-704
https://doi.org/10.17576/jebat.2025.5204.11

Rethinking Neomercantilism in the Federated Malay States, 1896-1925: Balance of Trade, Global Slump and Protection

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Received: 18 June 2025 Accepted: 22 October 2025

Abstract

This article reinterprets colonial trade in the Federated Malay States (FMS) through the lens of neo-mercantilism, covering the period from the establishment of the FMS government in 1896 to the post-war trade slump. Neo-mercantilist policies allowed the British government to directly oversee export activities, keeping tin and rubber under colonial control and serving the interests of British investors and businesses. These policies also strengthened the fiscal capacity of the FMS by generating revenue from exports. The study challenges the conventional view that colonial administrations in Malaya avoided economic intervention. It shows, through administrative records, that surplus accumulation policies functioned as a clear form of colonial exploitation. Numerical data and archival sources provide evidence for this claim, including the proceedings of the Federal Council, the CO717 files that document the link between London and the FMS, and annual departmental reports. The findings reveal that dependence on an export economy based on rubber and tin shaped the FMS balance of trade, particularly during periods of price fluctuation. However, neomercantilist measures to regulate output proved effective in stabilising markets. Rising prices generated substantial surpluses until 1925, highlighting the extent to which the colonial government relied on rubber and tin as its main sources of wealth.

Keywords: Colonial Economy; Imperialism; Trade; Modern Mercantilism; British Malaya

Introduction

The resurgence of neomercantilism in the late nineteenth century marked a revival of imperial protectionism, solidifying economic cooperation within the British Empire.[1] In 1916, the Parliament of Empire Resources Development was established as a form of direct control by the British government over colonial production and trade.[2] In the context of the Federated Malay States (FMS), economic control not only enabled the British government to regulate commercial activities through the colonial administration, but also strengthened its fiscal capacity to contribute to imperial defence. This reflected the broader neomercantilist logic of the period, in which colonial economies were expected to generate surpluses for the benefit of the metropolis. For instance, in 1917, the FMS government contributed £500,000 to the imperial fund, a clear demonstration of how colonial revenues were mobilised in support of Britain's wider imperial commitments.[3] This trend aligned with the broader global expansion of neomercantilism, in which European imperial powers leveraged colonial markets to absorb their exports while exploiting colonies for essential raw materials like rubber and tin to sustain industrial production.[4] Within the British Empire, neomercantilism became particularly pronounced in the 1920s, when the Colonial Office implemented capitalization and protectionist policies to strengthen British enterprises by fostering export-oriented economies in the colonies.[5] By the 1920s, British neomercantilists had prevailed over free traders, embracing an imperial economic

eISSN: 2180-0251

agenda that prioritized the colonies as privileged sources of raw materials for the mother country.[6]

Before the rise of neomercantilism, Britain's practice of free trade had created a situation of 'liberal non-intervention' in the Malay world. This was because the Colonial Office was reluctant to increase its liabilities through direct colonisation of the Malay states. However, by the 1870s, in order to safeguard its commercial interests in the Straits Settlements, a forward movement was initiated by transforming the Malay states into protected states.[7] Subsequently, in line with the rise of neomercantilism in that era, Joseph Chamberlain, the Colonial Secretary, approved the federation of Perak, Selangor, Pahang, and Negeri Sembilan in 1895. This move reflected a broader neomercantilist strategy of centralising administrative control and consolidating economic resources within the FMS. By streamlining governance and strengthening oversight, the British sought to maximise revenue extraction and secure a more reliable flow of raw materials and financial contributions to the imperial economy.[8] The growth of an export economy, fuelled by the rubber boom and escalating tin demand, catalyzed a remarkable surge in Malayan GDP from $86 at the turn of the twentieth century to $197 by 1919.[9]

However, recent scholarship on Malayan economic history has contested the extent of imperial influence on FMS economic development, particularly critiquing colonial involvement in economic regulation.[10] While previous studies by the Andayas[11], Sultan Nazrin Shah[12], J.H. Drabble[13], and P.J. Drake[14] have explored the economic development of the FMS, the analysis of governmental involvement remains unresolved. This limitation may be attributed to the tendency among historians to treat Malayan economic history as a singular unit and overlook the influence of London on the Malay states. Furthermore, P.J. Drake[15] also highlighted similar issues, suggesting the need for researchers to reassess or expand their investigations into the economic changes in Malaya under British administration.

Accordingly, this article underscores the relevance of neomercantilism in the FMS, framing it within the colonial government's enduring obsession with securing a favourable balance of trade. The primary objective was to generate a financial surplus, both to contribute to the imperial economy and to strengthen the fiscal capacity of the colonial government. A secondary aim was to expand Malaya's market capacity to absorb imports from across the empire. From the earliest stages of the FMS's formation, colonial economic policy was centred on the development of mineral and agricultural resources to meet global demand, particularly within the framework of inter-imperial trade relations. The FMS's position as the principal producer of rubber and tin in the colonial economy subsequently enabled it to generate and accumulate significant financial surpluses.[16] The financial assets accumulated since 1912 enabled the FMS government to undertake major expenditures, including contributions to the British government and the development of railway networks linking the northern Malay states with southern Siam. By 1921, the FMS government had financed railway projects in Malaya with working capital amounting to $160 million, while an additional $40 million was contributed to the British government after the First World War.[17] These measures reflected the neomercantilist logic of the period, in which colonial surpluses were strategically mobilised to serve both imperial priorities and regional infrastructural expansion. The reinvestment of colonial revenues into railways not only facilitated resource extraction and trade flows, but also reinforced the integration of the Malay states into the wider imperial economy.

Rethinking neomercantilism as an analytical framework for the economic development of the British Empire offers fresh insights into the dynamics between the mother country and its colonies. Mercantilist policies had established Britain as one of the strongest trading powers in Europe before the dominance of free trade in the mid-eighteenth century.[18] However, the limitations of free trade eventually paved the way for a resurgence of neomercantilist approaches, marking the period from 1918 to 1948 as a golden age of British imperialism that coincided with the ascendancy of neomercantilism.[19] In the twentieth century, neomercantilism centralised imperial economic policymaking in Britain, with an emphasis on controlling imperial trade and ensuring a steady supply of raw materials to the metropolis.[20] Britain's industrial sector, which had expanded since the nineteenth century, depended on the import of raw materials such as cotton and iron ore, while also requiring imported food products. To achieve these aims, colonial export economies were systematically developed.[21] Britain's dependence on the colonial empire was largely a response to the reluctance of the Dominions to grant free access to British enterprises.[22] This framework, rooted in the policies advanced by Joseph Chamberlain during his tenure at the Colonial Office (1895–1903), sought to secure colonial markets and sources of raw materials for Britain's economic well-being.[23]

Using the neomercantilist framework helps to explain the economic structure and the export-oriented functions developed by the colonial government within the colonial empire. It also highlights the fundamental dependency relationship established between the mother country, reliant on colonial raw material supplies, and the tropical colonies, which served as captive markets for British goods.[24] During the Imperial Conference in 1926, L.S. Amery, the Secretary of State for Colonies, defined the Colonial Empire as encompassing all tropical colonies under Colonial Office administration.[25] This dynamic facilitated the extraction of food and raw materials at low costs while providing outlets for surplus British production. Edward Mead Earle[26] describes the emergence of neomercantilism in the twentieth century, promoting the spread of new imperialism. It advocates for government intervention to protect colonial markets, ensure raw material supplies, and maintain a favourable balance of trade. Consequently, government bodies collaborated with industrial and commercial communities to defend their interests in the colonies. According to Osterhammel[27], the adoption of neomercantilist policies in Britain during the twentieth century led to deeper integration within the British Empire. The home government intervened directly in the economic development of colonies to fulfil imperial interests. Colonial governments played a crucial role in facilitating capital flows from the mother country aimed at fostering colonial enterprise. Consequently, profits from investments were channelled back to London.[28]Thus, while neomercantilism may not have been a popular paradigm for illustrating British imperialism since the 1900s, colonial economic activities were not entirely free as the free trade practices in the mother country.[29]

The Colonial Obsession of the Trade Balance

The term 'favourable balance of trade' denotes an excess of commodity exports over commodity imports, while the opposite is termed as an 'unfavourable balance of trade'. Mercantilist economists commonly employ this term to analyse a nation's interests in foreign trade.[30] Adam Smith's "*Wealth of Nations*" is often cited as an early systematic work that elucidates British preoccupation with achieving a favourable balance of trade. Within the mercantile system, Smith defined the balance of trade as a doctrine aimed at accumulating more gold and silver from foreign countries through export exchanges, with the caveat that these metals are depleted when imports exceed exports in value. Gold and silver served as exchange indicators within the mercantile system, guiding traders in their foreign bill transactions for both imports and exports. Smith argued that the greater the imbalance in exchange against any country, the more the balance of trade would necessarily be unfavourable. In essence, if an importing country possessed a high exchange rate for its bills, the import receiver would need to expend a greater volume of gold and silver to purchase them.[31]

This preoccupation with achieving a favourable balance of trade led the British Government to provide export bounties, aiming to compel foreigners to purchase British goods. However, this bounty-oriented approach ultimately led to monopolistic practices in global trade. Such subsidies to encourage exports had a significant impact on commodity prices due to oversupply. In the eighteenth century, the price of British corn began to decline following the implementation of export bounties, leading to a general prohibition on corn exports in 1764. Recognizing the risks associated with this approach, Smith criticized the British obsession with achieving a favourable balance of trade as an absurd doctrine, arguing that trade enforced through bounties and monopolies typically disadvantaged the country.[32]

With the deterioration of the free trade system in the nineteenth century, mercantilist economists sought to revive mercantilism as a response to economic depression. This revival paved the way for neomercantilism in the twentieth century, gradually shaping imperial economic policy. The resurgence of mercantilist thought prompted a retreat from free trade principles, particularly evident in countering global protectionist policies such as the McKinley Tariff in the United States.[33] William Cunningham played a significant role in this revival, emphasizing the state's role in economic activities and challenging the neglect of the English home market in favor of international trade. The laissez-faire approach was criticized for contributing to adverse consequences in Britain, notably a decline in the standard of living among large segments of the working class.[34]

This discourse continued into the 1920s, with prominent British economist J.M. Keynes developing his "*General Theory of Employment, Interest, and Money*" to address mercantilism and its relation to the problem of depression. Keynes recognized the persistence of mercantilist ideas among politicians and a significant portion of the British populace and proposed a neomercantilist balance of trade theory for ensuring stable wage levels and national prosperity.[35] He argued for close attention to the balance of trade by authorities to promote prosperity, criticizing laissez-faire as inadequate in addressing economic challenges.[36] Keynes declared the end of laissez-faire in 1926, advocating for increased government intervention in economic activities during the 1920s.[37]

The British preoccupation with the balance of trade faced challenges in the early 1920s when a trade depression led to a surge in unemployment rates between September and December 1921. The downturn was exacerbated by the economic collapse of Central and Eastern Europe, resulting in decreased consumer purchasing power and reduced exports from the British Empire.[38] Similar trends affected the FMS, major exporters of rubber and tin for the British Empire. Colonial authorities intervened in the Malayan economy to address the trade depression during 1920-22.[39] Contrary to Drabble's argument on the short-lived boom period brought about by laissez-faire policies, the adoption of imperial preference and restriction schemes in Malaya indicated a retreat from free trade policies.[40]

Taken at face value, as some scholars have argued, balance of trade data may suggest an absence of colonial exploitation in certain Asian countries.[41] Yet such a reading is fundamentally misleading, as it divorces statistical outcomes from the underlying practices and objectives of colonial economic policy. In the context of the FMS, the records of the federal administration clearly demonstrate that trade surpluses were systematically mobilised to serve imperial priorities, thereby revealing the exploitative dimensions that a literal interpretation of trade figures fails to capture. For instance, at the Federal Council meeting in 1922, Laurence Guillemard, the British High Commissioner explained that the spending policy of the FMS government was to channel financial surpluses, derived from its export economy, towards the interests of the colonial economy.[42] This approach epitomised the neomercantilist principle that colonial revenues should be systematically mobilised for the benefit of the metropolis rather than reinvested locally. Moreover, the FMS contribution to imperial funds since the First World War, despite the absence of any physical warfare in Malaya, left the government burdened with debts amounting to $79,800,000, further underscoring how colonial fiscal policy prioritised imperial obligations over domestic development.[43]

The FMS colonial administrators' obsession with achieving a favourable balance of trade is evident in each federal administration's annual reports. This behaviour reflects the influence of neomercantilist policies on surplus accumulation in the Malayan states, as illustrated in Figures 2 and 3. Surplus funds were utilized to finance colonial development, support the export economy, and contribute capital to the mother country. During the First World War, surplus funds were allocated to the development of HMS Malaya for the British Government.[44] However, excessive spending led to a financial crisis, with the federal government facing an overdraft and liabilities amounting to £3,890,000 in 1922. This crisis was exacerbated by colonial expenditure outside of the FMS, including loans to Siam, the development of the Johor causeway and Prai wharf, and the loss of rice sale payments to the Straits Settlements government. The FMS government sought a loan from the British Government via the Straits Settlements government to address the financial challenges posed by the global trade slump since 1921.[45]

The FMS Export Economy

The economic objective behind the formation of the FMS was to oversee the development of the export economy based on agricultural and mineral productions.[46] With the introduction of colonial administration, the British facilitated capital inflows primarily from Europe to establish rubber estates in the FMS. Additionally, the metropole controlled the raising of capital and the formation of joint-stock companies in London and Shanghai.[47] Following the establishment of the Department of Agriculture in 1905, the colonial government supported agricultural plantations by developing irrigation systems and investing in research and development, in alignment with Colonial Office policies.[48] However, imperial policy in Malaya rigorously regulated foreign capitalists from dominating British companies.[49] Furthermore, the development of the export economy transformed colonial ports in Malaya from entrepôts into staple ports. Prior to the emergence of rubber, tin and gold were the primary export products throughout the nineteenth century.[50] However, with the surge in global demand for rubber in the 1900s, the colonial government in Malaya rapidly opened up land for rubber cultivation.[51]

The formation of the FMS was the first step to establish the imperial machinery, which provide the legalisation with the power for creating a competent legal and colonial administration.[52] Since the 1900s, the FMS Government has been concentrating on developing tin and rubber as the pillars for the export economy.[53] However, the Federation Treaty of 1895 does not bestow the British a direct control on federal economic administration. Thus, Federal Council formation was agreed by the Malay sultans in 1909, which granted the British High Commissioner the power to centralise the economic law enforcement.[54] The British used the FMS Government to control the capital inflow to both rubber and tin industry due to the high demand in the global market. The United States appeared as the principal customer for both commodities, which are important in the motor vehicle production industry.[55] The increase of trade volume within the periods was due to the high demand for tin and rubber in the global market for the war industry. This also led the FMS Government to charge a low surcharge rate for rubber exports in particular.[56] Thus, the Malayan tin trading network has emerged as a trade centre that penetrates the Indian Ocean trading network to market across the Pacific Ocean. Apart from establishing trade relations with the United Kingdom, the trade ports in Malaya also have a direct link with those in Siam, Alaska, Canada, Mexico, Bolivia, Nigeria, Cape Town and Australia. Meanwhile, through the China trade network, the tin supply from Malaya has been also channelled to Japan and then to Victoria, Canada before Auckland, New Zealand.[57]

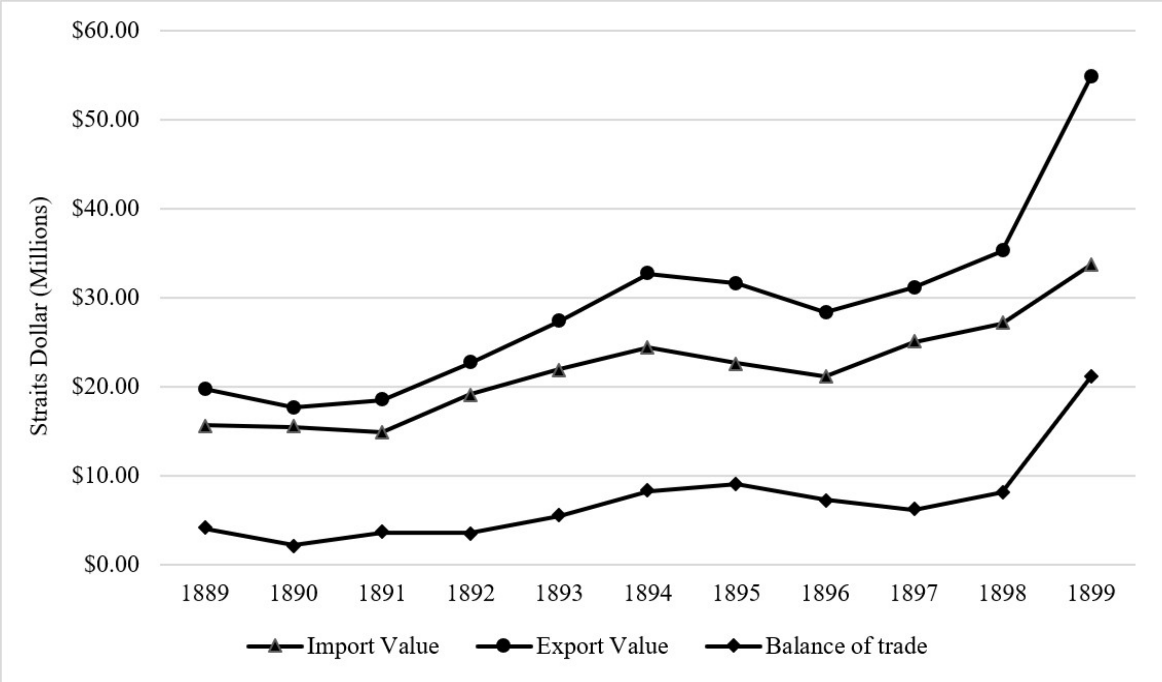

Figure 1: The FMS's Trade Volume, 1889-1899.
Source: FMS, The Federated Malay States Chamber of Commerce Year Book, 1925.

Figure 1 shows the trade balance trend in the FMS during the late nineteenth century. It proved the encouragement of export by the neomercantilism and favourable balance of trade throughout the period. The trend rose steadily after the inauguration of the federal government of the FMS in 1896. At the time, the British focused on tin development as the primary sector in the export economy due to the demand in the European market.[58] Through the British Residents, the tin mines were opened in Perak, Selangor and Negeri Sembilan to attract foreign capital especially from the private firms based in Singapore and Calcutta.[59] However, before 1908, there was no centralisation of customs administration between the states of Perak, Selangor, Pahang and Negeri Sembilan. Each state has the autonomy to administer its trade and customs activities including the jurisdiction to determine the duty rate. Generally, duty export is subject to principal commodities such as tin, coffee, sugar, gambier, cassava, pepper, coconut oil, copra, gutta-percha, dried fish and gold. As a high-value export commodity, tin has been imposed tax based on market price. When the price for one picul (approximately 62.5 kg) of tin is more than $31 and not exceeding $32, the applicable tax rate is $10 for every three piculs of tin. While, for every price increase of $1 for each picul that exceeds $38, the tax rate is increased by $0.25 for every three times and if the market price increase is below $38, the increased tax rate is as much as $0.50.[60]

Trade Condition during the First World War

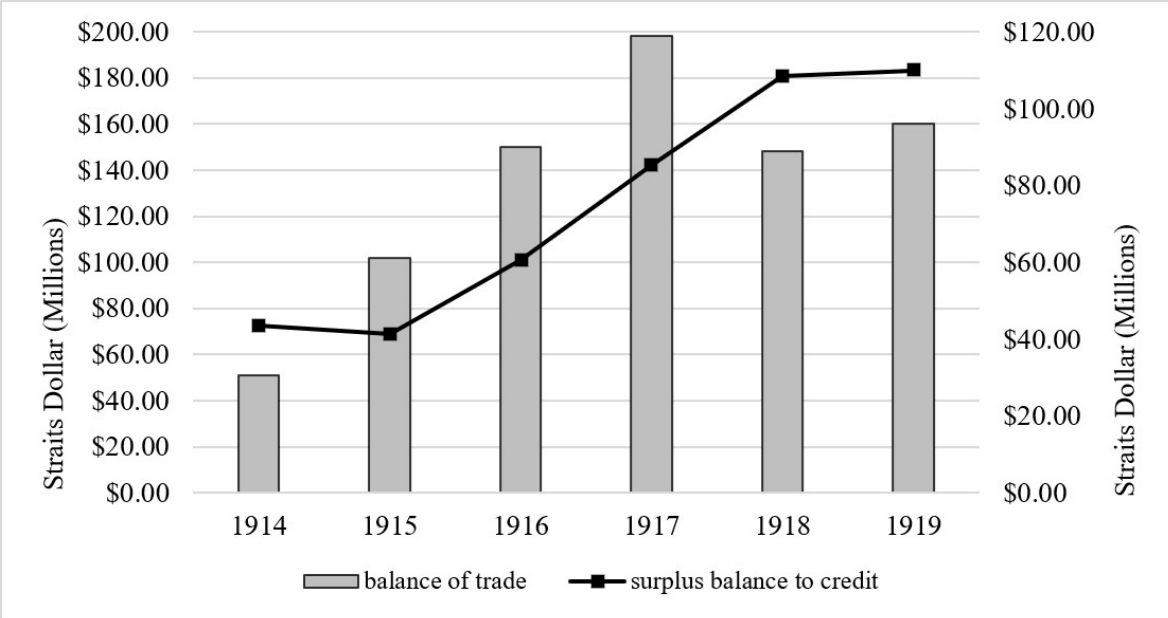

Figure 2: The FMS' Balance of Trade and Surplus Balance to Credit, 1914-1919.
Source: FMS, Annual Report for the Year 1919. Mokhtar, 2024.

The trade trend of the FMS illustrated in Figure 2 corresponds with Britain's shift away from free trade following the First World War. The introduction of protectionist tariffs, such as the McKenna Duty of 1915, not only safeguarded domestic markets but also served as an incentive for national exports.[61] In the FMS, a similar policy was implemented through the War Taxation Enactment of 1916, which aimed to raise funds for the imperial contribution.[62] In the early years of its implementation, the FMS government succeeded in raising £500,000 to be contributed to the British government, a sum that subsequently increased to £750,000 by 1918.[63] This historical context further reinforces the point that the correlation between a favourable balance of trade and surplus revenues leading to credit accumulation is clearly evident in the data presented in Figure 2. The surge in trade surplus value in 1915 can be attributed to market stability within the colonial sphere and heightened demand for rubber commodities from the FMS. Restrictive policies on rubber production further bolstered commodity prices, reaching $1 per pound (0.45 kg) in 1915, a rate that remained stable until 1917. Subsequently, the balance of trade value surged by 47.63% in 1916 compared to the previous year, peaking at $198,223,637 in 1917. However, a significant decline occurred in 1918, with the trade balance plummeting by $148,315,536 from the previous year. This downturn was exacerbated by a 50% reduction in rubber prices that persisted until 1919. Additionally, the failure of the British industrial community to anticipate market demand, particularly for motor vehicles during the wartime period, contributed to the decrease in the balance of trade value in 1918.

Furthermore, motorcars imported from Canada and the United States significantly dominated the FMS market compared to those from the United Kingdom. In 1918, 1,050 units of motorcars were imported from Canada, with 885 units from the United States, while only 549 units were imported from the United Kingdom.[64] By 1926, Ford Malaya was established as part of the parent company Ford Canada's strategy to move away from exporting vehicles across the British Empire.[65] This trend correlated with the growth of the FMS's surplus balance. However, compared to 1914, the surplus balance to credit in 1915 experienced a 4.74% decrease, amounting to a reduction of $41,476,236. Yet, aligning with the development of the balance of trade value from 1916 onwards, the credit surplus increased by 46.18% in 1916 and by 40.70% in 1917, continuing to grow to $108,467,903 in 1918, with a further increase of 0.74% in 1919.

The Post-War Depression

However, the FMS trade structure faced challenges in the early 1920s due to the post-war economic slump. Decreased demand for main products led to a market downturn, affecting prices. Consequently, this downturn directly impacted the FMS's balance of trade, resulting in a trend of regression. Utilizing the federal government, the British intervened to stabilize market prices for tin and rubber, safeguarding local industries from losses caused by the market downturn. Based on this analysis, the authors concluded that neomercantilism played a crucial role in securing the FMS's export economy for the benefit of the colonial economy.

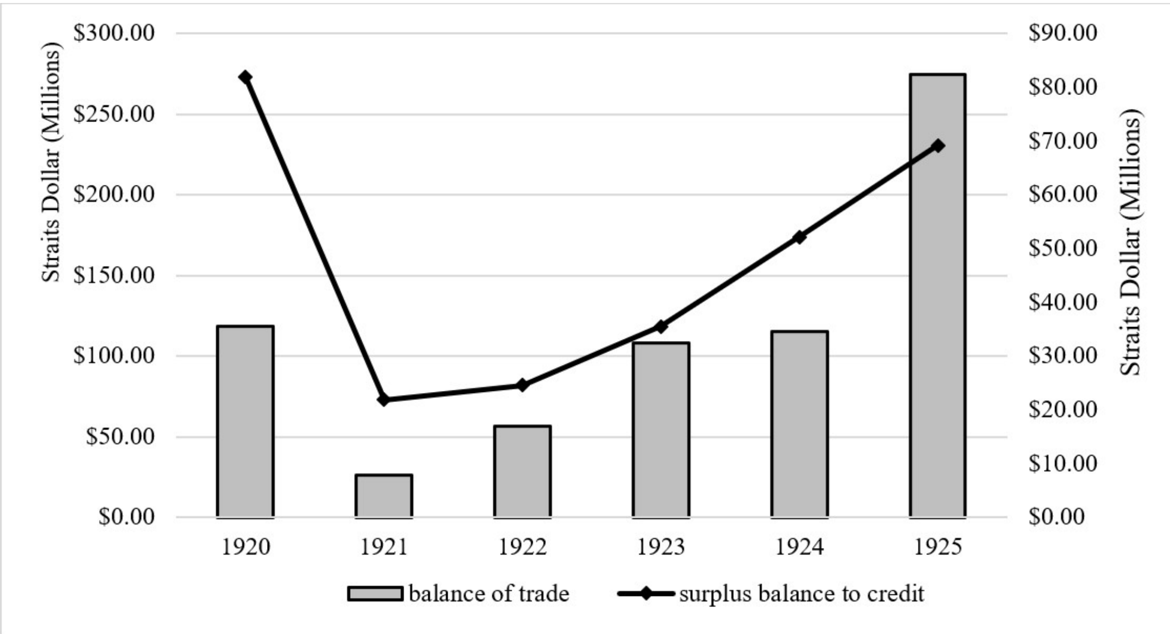

Figure 3: The FMS' Balance of Trade and Surplus Balance to Credit, 1920-1925.
Source: FMS, Annual Report for the Year 1925. Mokhtar, 2024.

Figure 3 illustrates how the depression in the FMS' export economy directly impacted the balance of trade position. This effect is evidenced by the decreasing trend in export value, which in turn lowered the balance of trade value. Consequently, this impediment affected the FMS' accumulation of financial surplus to meet the federal government's liabilities, highlighting the necessity of a favourable balance of trade to generate more financial surplus. In 1921, the balance of trade value plummeted to $91,644,690, a 77.54% decrease compared to the $118,193,575 recorded in 1920. This downward trend also significantly impacted the federal government's financial surplus, which experienced a 73.3% downturn in 1921 compared to 1920. However, from 1922 onwards, both the balance of trade and credit surplus steadily began to recover, reaching a peak in 1925. The growth in the balance of trade value in 1922 can be attributed to the decline in the value of imports in FMS and the federal government's fiscal consolidation efforts.[66] Simultaneously, the revival of rubber prices in 1922 contributed to the regeneration of the balance of trade and the surplus balance to credit accumulation.

The instability in the international market poses a shared risk for all tropical colonies fixated on achieving a favourable balance of trade. Havinden and Meredith[67] note that overproduction during boom periods exposes colonies to risks when markets decline, resulting in downward trends in the prices of tropical products. During the inter-war years, Western countries responded to the global trade slump with protectionist measures, a component of neomercantilism that undermined international free trade. In Malaya, the British safeguarded colonial interests in the rubber and tin industries by imposing import quotas and implementing restriction policies.[68]

The First World War caused economic problems for many industrialized European countries, rendering them unable to import tin and rubber from Malaya. Instead of purchasing raw materials, these countries focused on settling war debts, leading to unstable domestic economic conditions characterized by high inflation rates.[69] European governments, particularly Britain's allies, increased profit rates and implemented credit restriction policies, resulting in deteriorating purchasing power.[70] Consequently, some European nations, such as Austria and Poland, affected by the war, were unable to purchase rubber from the FMS to obtain financial assistance from The International Committee for Relief Credits[71]. These domestic economic transitions in Europe directly reduced demand for tin and rubber exports from the FMS for the European manufacturing sector, as they relied on assistance and financial aid.[72]

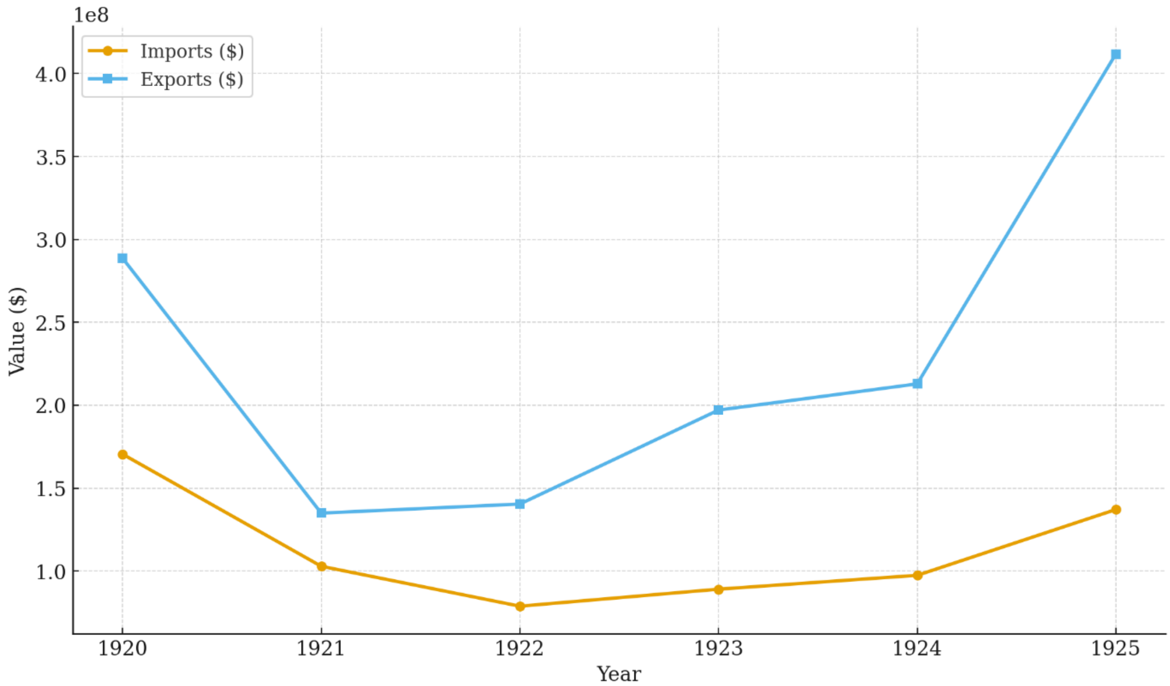

Figure 4: The FMS Trade Return Value, 1920-1925.
Source: FMS, Annual Report for the Year 1925.

Figure 4 demonstrates the wide disparity between export and import values, with exports rising sharply in 1925, thereby reflecting the colonial obsession with maintaining a favourable balance of trade. However, the export value plummeted by 53.36% in 1921 compared to the $288,715,698 recorded in 1920. This sharp decline also affected FMS exports to the United Kingdom, which fell to $14,100,589 from $46,601,653 in 1920. Similar contractions were observed in exports to other trading partners, including Belgium, where exports declined from $158,949 in 1920 to $38,212 in 1921, and the United States, which experienced a fall from $3,081,862 in 1920 to $1,087,122 in 1921.[73] Conversely, exports to Switzerland in 1921 amounted to only $3,969 before rebounding to

$29,857 in 1922.[74] The global trade slump significantly impacted the net export value from the FMS, destabilizing the federal government's balance of payments and reducing government income.[75] Despite British attempts to restrict raw material output in 1921 to control market prices, growth remained sluggish. However, federal government intervention helped secure the balance of trade, mitigating the downturn until 1925.

Uncertainty in commodity market prices

The decline in global trade also affected the market prices of raw materials, particularly tin and rubber from the FMS. However, the federal government failed to anticipate the decline in demand for these commodities, leading to oversupply issues in British and American markets.[76] Rubber export values to Britain dropped by 40% in 1920 and by 50% to the United States, resulting in significant excess rubber stocks in both countries. This oversupply stemmed from inefficiencies in federal administration, which failed to coordinate rubber production in the global market.[77] To address this surplus, colonial administrators opted for government intervention rather than implementing restrictive policies. This decision was influenced by Britain's reluctance to enact restrictions without the involvement of private planters through the Rubber Grower's Association.[78] Government intervention became crucial to stabilize rubber market prices amid oversupply issues, especially as many European rubber estate owners were unwilling to curtail production until market conditions deteriorated.[79]

Table 1: The FMS' Rubber Prices within 1920-1923*

	1920	1921	1922	1923
	The highest and lowest price		Average price per year	
Price of 1 pound	June $1.12	June 21 cents	28.8 cents	51.2 cents
	December 32 cents	December 39.5 cents		

Sources: F.M.S. Annual Report for 1920 & 1921, Report of the Director of Agriculture for 1922 & 1923.

*The differences in data form is due to different data formats in each referenced record.

Table 1 illustrates the declining prices in the FMS rubber market from 1921, attributed to excessive supply.[80] The data reveals a significant drop in June 1921 to 21 cents per pound, contrasting sharply with the $1.12 per pound in June 1920. Rubber prices continued to fluctuate until 1922, with a slight increase observed in 1923. Despite the implementation of restriction policies in 1921, the recovery of rubber prices was not substantial. This trend was influenced by government policies aimed at controlling commodity prices to prevent rises in the cost of living and to rein in extravagant expenditure on rubber industry development in the Malay states. The federal government recognized the need to reduce operational costs for rubber estates during price falls to mitigate government expenditure, while simultaneously encouraging planters to maintain operations to meet demand once prices rebounded.[81]

The downturn in the tin market in 1921 was primarily attributed to issues within the United Kingdom's industry sectors. Minimal demand for tin plates in Wales contributed to a deficit in tin exports from the FMS. Additionally, worsening conditions in the UK industry exacerbated unemployment issues, weakening the industry's workforce and affecting FMS tin markets with oversupply, leading to price fluctuations.[82] This decline in tin market prices impacted FMS tin export values between 1920 and 1922. Tin exports dropped by 44.28% from $88,429,180 in 1920 to $49,274,982 in 1921, with a further 2.99% decline to $47,803,876 in 1922.[83]

Furthermore, the devaluation of tin prices in 1922 was also influenced by concerns regarding whether the British government would maintain control over tin exports.[84] However, the reinforcement of British government control over FMS global trading networks impacted the average price of Malay states' tin markets in London, highlighting the dependency of FMS trade on the UK as the mother country for sustainable commodity market prices.[85] Tin prices in London saw a recovery in 1924, with the highest recorded price at £298 and the lowest at £200.10, attributed to continuous tin purchases by the United States.[86]

Table 2: Average Tin Price in the London market, 1920-1924

Years	Average price (£)
1920	297.5.11
1921	168.0.0
1922	160.14.0
1923	202.15.4
1924	249.10.6

Sources: F.M.S. Report on the Administration of the Mines Department and on the Mining Industries for the Year 1920,1921,1922,1923,1924.

Table 2 provides an overview of the average tin prices in the London market since 1920. The decline in tin prices by the end of 1920, dropping to £200 from the year's highest price of £423.20, marked the beginning of a market downturn in London.[87] In the first three months of 1921, tin prices ranged from a high of £215.17.6 to a low of £150.17.6. This decline in 1921 was attributed to an oversupply of tin without corresponding production reductions, coupled with stagnant market demand. Moreover, similar market falls occurred in the United States and the United Kingdom during the same period.[88] Subsequently, in the first three months of 1922, London's tin market saw prices drop to £187.16, reaching a low of £141.17.6. The sharp decline in tin prices from mid-1922 was linked to the dissolution of the Billiton & Singkep company, leading to a surplus of tin supply. This Dutch-owned mining company held a monopoly over tin production in the Malay Archipelago. While its monopoly was primarily focused on the Dutch East Indies, the tin it exported also influenced global market prices.[89]

Protecting Commodities Market

The scarcity of surplus necessitated intervention by the FMS Government to safeguard the tin and rubber markets from plummeting prices. These commodities formed the backbone of FMS exports, driving financial surplus and economic prosperity. Concurrently, the Colonial Office underscored the importance of developing natural resources in the colonies. In 1921, the British House of Commons enacted the Trade Facility Act 1921, allocating funds to assist British traders with loans to enhance empire exports. This legislation aimed to meet Britain's industrial demand for raw materials sourced from its colonies.[90]

In line with protective policies, the FMS Government initiated the New Use of Rubber Propaganda in 1921 to bolster the rubber market and increase prices. European companies such as The Dunlop Rubber Co. Ltd., Leyland & Birmingham Rubber Co., and others collaborated with the federal government to promote new rubber-based products and industries. Committees chaired by the FMS Chief Secretary, with representatives from the Federal Council and planters' community, spearheaded this propaganda effort.[91] Increased demand for rubber prompted the committee to advocate for the motorcar industry in India and Burma, leading the federal government to improve roadways to facilitate motorcar imports into the FMS.[92] This initiative reflected positively in rubber exports, which surged by 35.92% in 1922 compared to 1921, reaching 101,311 tonnes in 1923 before a slight 7.70% decrease in 1924.[93]

Supporting this endeavour, the Director for FMS and Straits Settlement Agriculture emphasized to government and industry stakeholders the potential of the propaganda to boost rubber demand and stabilize prices.[94] Additionally, grants totalling $24,814 in 1922 and 1923 aimed to incentivize private participation through the Rubber Planters' Association, partially funded by a $290,000 allocation by the Federal Council in 1922.[95]

To address declining rubber prices, the Rubber Planters' Association advocated for British government intervention, leading to the establishment of the Stevenson Committee. This committee recommended restrictions on rubber production and export tariffs, ultimately stabilizing prices through the Stevenson Plan.[96] Subsequently, the Enactment of Rubber Export (Restriction) 1922 empowered the FMS Chief Secretary to implement these restrictions, contributing to a 51.2% increase in rubber prices in 1923.[97]

However, the restriction policy spurred smuggling activities among smallholders and planters, driven by financial hardships resulting from production cuts.[98] Smuggling was exacerbated by high demand from Dutch traders and lack of enforcement in the Dutch Indies. Despite challenges, the policy revitalized the market, reflected in increased rubber exports to the United States, France, Germany, and Ceylon in 1922.[99]

Similarly, the FMS Government intervened in the tin market to combat falling prices, imposing export restrictions and purchasing local tin stocks. This policy aimed to stabilize prices and protect the mining industry from losses.[100] Collaboration with the Dutch East Indies led to the Bandoeng Agreement, restricting tin exports and stabilizing prices.[101] Consequently, the agreement contributed to a rationalization of tin prices and a resurgence in the global market.[102]

Table 3: The FMS' Tin Price within 1921-1925

Years	1921	1922	1923	1924	1925
Highest price	$115.00	$93.62	$121.00	$148.00	$145.5
Average price	$85.04	$80.64	$101.75	$124.19	$131.77 1/2
Lowest price	$72.00	$71.75	$88.50	$100.75	$116.00
Price Changes	$43.00	$21.87	$32.50	$47.25	$29.50

Source: FMS, Annual Report for the Year 1925.

Table 3 illustrates the tin market's volatility influenced by the Bandoeng Agreement. Following the agreement's signing in 1921, tin prices peaked at $93.62 in 1922, contrasting with the lowest recorded price of $72.00 in the preceding year. However, the price plummeted to $71.75 in 1922 due to the dissolution of tin stocks by agreement members.[103] Subsequently, tin prices rebounded in 1923, reaching a high of $121.00 and a low of $88.50, surpassing 1922 levels. This increase was driven by rising demand, particularly exceeding 10,000 tonnes in the tin plate industry in Britain and the United States.[104] Tin prices remained stable from 1924 to 1925, averaging between $124.19 and $131.77. This consistent price growth directly contributed to the FMS' record balance of trade in 1925.[105]

The protection of the commodity market by the FMS government also enabled British companies to dominate the export of rubber from Malaya. Table 4 lists the major London-based rubber companies that monopolized rubber industries. The dominance of these British companies was largely a result of land ownership control measures imposed on foreign firms, particularly US and Japanese companies, under directives issued by the British War Cabinet in 1917, which limited foreign land ownership to no more than 50 acres.[106] Accordingly, the FMS government enforced the Rubber Land (Restriction) Enactment, which granted the Resident the authority to regulate land ownership in order to safeguard the position of British companies.[107] This law conferred an advantage upon British planters by allowing them to own larger areas of land than their foreign counterparts, despite the latter having greater financial capital.[108] Control over land ownership was further tightened in 1922 with the enforcement of the Aliens Restriction Enactment, which not only applied to rubber plantations but also extended to other strategic industries vital to British firms, such as tin mining.[109] Beyond government protection, the stability of British rubber companies was also bolstered by their close cooperation with the US automobile industry, which was the largest importer of Malayan rubber, accounting for 36% of exports, compared to the United Kingdom's share of only 12.9%. Between 1926 and 1928, the US dominated 78% of global vehicle production, further reinforcing its position as the primary consumer of Malayan rubber. At the same time, Malayan rubber was also in high demand in Europe's submarine cable construction and footwear industries.[110]

Table 4: List of rubber merchants and distributors from the FMS

Importer
Balata Ltd., 35, Crutched Friars, E.C. 3, London
Wilson, Holgate and Co. Ltd, 39, Mincing Lane, E.C. 3, London
George Hankin and Co., 27, Mincing Lane, E.C. 3, London
The Gutta Percha Co., 18 Wharf Road, City Road, London
Rubber processing companies
The Gutta Percha Co., 18, Wharf Road, City Road, N.1, London
Cable manufacturing companies
Callender's Cable and Construction Co. Ltd, Hamilton House, Victoria Embankment, E.C. 4, London
India-Rubber, Gutta Perhca and Telegraph Work Co. Ltd., 106, Cannon Street, E.C. 4, London
St. Halen's Cable and Rubber Co. Ltd., Warrington and 70, 71, Petty France, Westminster
Golf ball manufacturer
North British Rubber Co. Ltd., Castle Mills, Edinburgh. London warehouse: 204, Tottenham Court Road, W.I.

Source: AY 4/2009, Gutta percha, Federated Malay States, 1923.

Conclusion

This article illuminates the essence of neomercantilist policies in developing the export economy of the Federated Malay States (FMS) to safeguard surplus and ensure a favourable balance of trade as a source of wealth.[111] The influence of neomercantilist policies on the evolution of imperial economic strategies can be traced back to Joseph Chamberlain, whose vision emerged at the close of the 19th century. As a manufacturing nation, Great Britain relied on its colonies to supply the raw materials necessary to sustain its industries, as articulated by Chamberlain in 1903.[112]

This vision was furthered by W. Churchill in 1921 during the Imperial Conference, where FMS was designated as the empire's primary supplier of rubber and tin. Churchill's administration allocated significant funds to the FMS through the Straits Settlements Loan Enactment, emphasizing the strategic importance of these resources for both the home and military industries.[113] However, despite governmental support, the FMS faced economic challenges exacerbated by an obsession with maintaining a favourable balance of trade. This fixation led to market instability and low returns for industry players, prompting the need for government intervention to stabilize the market and protect industry interests.[114]

This interventionist approach underscored the crucial role of the government in ensuring market stability and supporting the export economy. Contrary to the notion of capitalist dominance, the FMS economy relied heavily on government protection and intervention to thrive. Through policies such as trade restrictions, direct investment, and global cooperation, the government played a pivotal role in reviving the market for raw materials and stimulating international economic activity.[115]

In conclusion, the archival records shed light on a lesser-known aspect of Malaysian economic history during the inter-war years, highlighting the significance of government intervention in protecting the export economy. This nuanced understanding contributes to the development of historical genres in the 21st century.[116] Ultimately, the authors argue that it was government intervention, rather than capitalist domination, that played a central role in stabilizing the FMS market and revitalizing the international economy.

Acknowledgment

This article is part of the research outcomes funded by GGPM-2024-035 grant of Universiti Kebangsaan Malaysia.

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