

South East Asia from Depression to Re-occupation, 1925-45

The economic and social history of South East Asia during these two decades is of more than merely passing or academic interest. Events and developments in the area during that period shaped the post-war world to a significant—if not decisive—degree. By 1945, contradictions among the various imperialist powers with interests in the region had been—for the time being at least—resolved, with the emergence of unchallengeable American hegemony. At the same time, the fundamental contradiction—that between imperialism and the peoples of the region—had surfaced, and the process of resolution of *this* contradiction has occupied the South East Asian stage ever since, from time to time by its scale, global significance, and drama dominating the world stage, too.

The significance of my starting point is two-fold. In the first place, by 1925 indications were not wanting that the post-war boom would not last for ever. In the second place, the inadequate reflection in mass living standards of the boom—the contrast between plantation and mining company prosperity and worker poverty—had accelerated development of social and national movements which prefigured the shape of things to come.

“The year 1925,” writes Kindleberger,¹ “generally marks the transition from postwar recovery to the brief and limited boom which preceded the depression.” The boom, he goes on to point out, was “. . . neither general, uninterrupted nor extensive . . . (and) . . . it contained increasing signs of tension: in the accumulation of inventories of primary products. . .”² In fact, world agricultural stockpiles increased by about 75% between the end of 1925 and the third quarter of 1929, while the index of world agricultural prices, based on 1923-5 as 100, declined to a level of about 70 over the same period.³

South East Asia, as a region which contributed a disproportionate share to world trade in primary products, was quick to feel the wind. The prices of three of the regional staples broke long before 1929 and the great American crash, sugar and tin in 1926, and rubber on suspension by the British of the Stevenson Restriction Scheme in 1928. The index of Netherlands East Indies imports and exports by value (1925—100) had already by 1929 fallen to 88 and 46 respectively, though it was, of course, to fall considerably further after the US crash (indeed, to 51 and 18 in 1932).⁴ Rice prices were also affected: having reached a peak in 1926, they thereafter slumped, though not as drastically as they were to do after 1929.⁵ As a result, the peasant producer had to sell a greater proportion of his harvest in order to maintain his money income, but this led to a significant deterioration in dietary standards.⁶

1. C. P. Kindleberger: *The World in Depression, 1929-1939*, Allen Lane, The Penguin Press, London, 1973, p. 31.
2. *Ibid*, p. 58.
3. *Ibid*, p. 86.
4. J. S. Furnivall: *Netherlands India*, B. M. Israel BV, Amsterdam, 1976, p. 429.
5. See V. D. Wickizer & M. K. Bennett: *The Rice Economy of Monsoon Asia*, Stanford University Press, Stanford, 1941, pp. 137 et seq.
6. *Ibid*, pp. 188 et seq.

Now while it is true that a limited number of well-situated local smallholders succeeded in making money and improving their own condition as a result of buoyant primary product prices in the 1920's—particularly in the 1921-6 semi-decade—wherever we look for evidence about *general* local living standards we find unarguable indications that the mass of the peoples of South East Asia derived little, if any, benefit from the boom founded upon their labour and their natural resources. Even in the case of smallholders, their joy was short-lived—one thinks of Indonesian smallholders during the sway of the Stevenson rubber scheme in particular in this context—because, as commodity control schemes became general and more and more rigorously enforced it was the smallholder who was designated by the European masters as the obvious sacrifice to placate economic forces rampaging and raging out of control worldwide. Some of the consequent injustices have been trenchantly recorded ⁷.

The first world war and its aftermath in the brief but sharp post-war slump of 1920-21 lie outside the scope of this paper but it is worth noting that both gave a decided impetus to the development of left nationalist forces in South East Asia, most marked perhaps in Indonesia (where Sarekat Islam had become a genuinely nation-wide mass movement by the early 1920's), but noticeable throughout the region—even in such an apparently placid backwater as Malaya (where, in 1919, a “. . . society with advanced Bolshevist views. . .” was discovered ⁸). To be brief, there were a number of conceptually distinguishable developments taking place, all of which were to come ultimately together—uneasily and temporarily in some cases (those in which neo-colonialism swiftly replaced colonialism), harmoniously and permanently in others (those in which social revolution accompanied achievement of independence): universal peasant unrest at loss of land, growing indebtedness, penal taxation, and the like (erupting fitfully throughout the whole region over the entire colonial period); increasingly determined efforts at labour organisation aimed at breaching and replacing the “traditional” semi-subsistence wage policy; and numerous and highly diverse political initiatives on the part of the intelligentsia, middle and lower-middle classes, religious leaders and teachers, and even the patriotic aristocracy with the object of terminating the humiliation of alien occupation and control.

By 1925 it was clear that the colonial authorities were faced with a situation the explosive potential of which, while of course unwelcome, came as less a surprise to them than it does to us, cushioned from harsh realities familiar to them by a generation of scholarly myopia and apologetics. Following the strike wave of 1925 in Indonesia, for instance, came the PKI risings of 1926-27 in which, according to Batavia, “. . . the conspirators (*sic*) were able to reckon on at least the connivance of a large part of the native population.” ⁹ 1925 witnessed the formation of the first revolutionary General Labour Union (GLU) in Singapore. In the same year there was a peasant rising in Cambodia which “. . . spread like wildfire. Within hours, large groups of men, many of them armed, were moving about the countryside. . .” ¹⁰

7. For the rubber smallholder's grievances see P. T. Bauer: *The Rubber Industry*, Longmans, Green, London, 1948.

8. M. R. Stenson: *Industrial Conflict in Malaya*, OUP, London, 1970, p. 8.

9. J. S. Furnivall: *op. cit.*, p. 253.

10. M. Caldwell & Lek Tan: *Cambodia in the Southeast Asian War*, Monthly Review Press, New York, 1973, p. 28.

As the 1920's drew to a close and the 1930's were ushered in by even more bitter economic tempests, the colonial administrations in South East Asia found themselves confronted with a rapidly deteriorating "security" situation. In Indochina the French, faced with violent nationalist and communist risings, reacted with a ferocity and barbarity which, in effect, signed their own death warrants. Peasant revolt in the Philippines (notably the Sakdalista uprising), in Burma (the Saya San revolt), and intermittantly everywhere; labour unrest exploding in great waves of strikes, suppressed with savage violence (discreetly described in one source—referring to Malaya—as "...vigorous and sustained police and military action;"¹¹ and alienation even of the European-educated elites, sections of which began actively making overtures to the Japanese as marginally preferable to the sitting colonial tenants:¹² all these manifestations of extreme discontent with the imperialist *status quo* were signals lacking any comforting message as far as London, Paris, The Hague, and Washington were concerned.

All these things are well known, and perhaps require no further elaboration here. But there are a number of interesting points which we should not skip. To the intelligent and well-informed policy-maker in the imperialist capital cities the disturbing implications of the trend of events in South East Asia were not lost. The question was—given that South East Asia was of crucial economic and strategic importance to the West in general and the several colonial powers in particular—what was to be done to turn the challenge? It is intriguing to see the diversity of responses, but circumstances were to engulf all national initiatives in a conflagration which ultimately fused all minor imperialisms into the only structure capable of matching—for a time—performance to desire and promise: US imperialist hegemony.

Yet in the diversity of tentative responses we can discern a pattern which in time was to assume very great significance. On the one hand were the near-derthal colonialists—Holland and France—whose instinctive primitive reaction to any stirrings among the "natives" was to reach for the club and the whip. The notorious French penal (and death) camp on Poulo Condore had its barbaric counterpart in Holland's tropical hell-hole at Boven Digul on West New Guinea. There is no complete record of the millions who suffered death, maiming and/or imprisonment for their political beliefs at the hands of these lights of Western "civilization." In South East Asia both had been extinguished by 1954.

On the other hand were the Anglo-Saxons whose tactical and strategic responses were more subtle—and, as events were soon to prove, successful. We can see throughout the 1930's, and more clearly in the deliberations of the Malayan Planning Unit during the Second World War, the Colonial Office and British industry striving to find an alternative course for Malaya—that most important of all Britain's colonial possessions—to that stubbornly clung to by the colonialist "old guard" representing plantation and mining interests on the spot. But it was only after nearly a decade of ferocious repression of the Malayan national and social revolution in the so-called "Emergency" that

11. J. N. Parmer: "Chinese Estate Workers' Strikes in Malaya in March 1937", in C. D. Cowan (ed.): *The Economic Development of South-East Asia*, Allen & Unwin, 1964, p. 169.

12. For an excellent discussion of this see J. M. Pluvier: *South-East Asia from Colonialism to Independence*, OUP, London, 1974.

the U.K. found its way to an acceptable alternative power base in Malayan society: the English-educated Malay middle-classes and bureaucrats, bolstered by Chinese big business. Thus the continuation of British economic hegemony was guaranteed beyond "independence" (1957)—at least until Malaya began "changing masters" and moving into the American orbit in the 1970's.¹³ In Burma, although on the face of it Britain had started making concessions to, and accommodating to, the local desire for self-rule much earlier, her designs were, for a variety of reasons, frustrated—not least by the hypocrisy and cynicism of British business interests in the colony but in the end more decisively by the militancy of the nationalist movement and to some extent by the "India connection."¹⁴

The most instructive case, for obvious reasons—for American policy here was to influence Washington's general thinking on the establishment and maintenance of neo-colonial socio-economic structures generally—was that of the Philippines. The story is, in its details, a complicated one¹⁵, but the outcome was profoundly satisfactory for American economic interests and politico-strategic objectives in South East Asia for, until it began crumbling in Indochina in the early 1970's, US hegemony had extended in the post-war period over virtually the whole of the region (and Washington had sought to reduce to rubble the awkward exceptions—the DRV and the liberated areas of Laos).

But we must backtrack in order to establish exactly what was at stake in the contest for footholds in South East Asia. It is of course true that South East Asia had always been an attractive region in terms of its wealth of resources and its exceptional importance in international communications. But the 20th century saw a number of developments which raised its significance onto a different plane. These may be put epigrammatically as the internal combustion engine, Japanese industrialisation, and the US bid for world empire. The first greatly heightened the importance of the region's resources—notably rubber and oil. The second made South East Asia essential, economically, to Japan. And the third made it imperative for Washington to resolve the contradictions in the region.

13. A good starting point for an understanding of American interest in Malaya is the recently de-classified report by Samuel P. Hayes: "The Beginning of American Aid to S. E. Asia—The Griffin Mission of 1950," U.S. Government Printing Office, Washington, D.C., 1950; more recently, a four-man American team conducted a survey, pressed upon the Malaysian government by the U.S. in the wake of the 1969 race riots in Kuala Lumpur, reporting in confidence to the Malaysian government in 1970 in a 40-page study entitled "Social Science Research for National Unity." Among the team responsible for the latter document was Prof. Samuel P. Huntington, notorious theorists of "enforced urbanisation" in South Vietnam during the American occupation. Since this report, it is noticeable that great difficulties have been put in the way of scholars wishing to visit and study in Malaysia—except for a handful of "trusted" (possibly CIA) American scholars. All chief advisory posts to the Kuala Lumpur government are now in American hands. See also R. Witton: "Malaysia—Changing Masters," *Journal of Contemporary Asia*, Vol. 2, No. 2, 1972.
14. For a useful bibliography of the period in question see D. J. Steinberg et al. (eds.): *In Search of Southeast Asia*, Pall Mall Press, London, 1971, pp. 486-7.
15. The following articles, in the issues of the *Journal of Contemporary Asia* indicated, form a useful approach—basically from a Filipino viewpoint: E. San Juan Jr.: "Reactionary Ideology in Philippine Culture", Vol. 3, no. 4, 1973; J. Fast & Francisco: "Philippine Historiography and the De-Mystification of Imperialism", Vol. 4, no. 3, 1974; D. Boone Schirmer: "The Philippines—Conception and Gestation of a Neo-Colony", Vol. 5, no. 1, 1975; Renato Constantino: "Identity and Consciousness—The Philippine Experience", Vol. 6, nos. 1 & 2.

The first world war, coming right on the heels of Ford's introduction of the moving belt technique of vehicle manufacture, gave a tremendous impetus to motorcar, omnibus and truck production. In the result, annual output of vehicles in the USA rose tenfold from 1914 to 1929 while registrations rose more than twentyfold. Calls on the world's petroleum and rubber rose accordingly, and if South East Asia was as yet an insignificant quantity in the first (accounting for some 3% of world output in 1921), it was responsible (with Ceylon—a British colony) for all but a negligible part of all the cultivated rubber entering world trade—the United States taking about two-thirds in 1921. But even in the oil stakes, South East Asia's *potential* was early recognised and US companies fought vigorously and ruthlessly, with Washington's backing, for a share in existing exploitation and in prospecting. This, despite British resistance in Burma and Dutch resistance in Indonesia, they were able eventually to win for a number of reasons, of which US supremacy in petroleum technology was one.¹⁶

With rubber and tin it was rather a different matter, and American frustration in the face of what Washington regarded as Anglo-Dutch cartels in these industrially crucial commodities played no small part in forming the general climate in which the US ruling class approached the problem of shaping and securing a more acceptable politico-economic dispensation on the Pacific Rim. (The United States—indeed North America as a whole—had no indigenous tin deposits, but North American industry consumed far and away the major part of the metal produced in the world, and some two-thirds of that habitually came from Malaya and Indonesia alone, with a much greater part of total output effectively under Anglo-Dutch control.) The trouble began shortly after the first world war, when both key commodities became subject to control measures: rubber to the Stevenson restriction scheme in 1922, and tin to the Bandung Pool in 1921.

But matters really came to a head with the onset of depression in the 1930's. The details of the tin and rubber schemes are well known and well documented and need not therefore detain us here¹⁷. What is of interest is the American political response, and its far-reaching implications. Secretary of State (later President) Hoover stumped the States in the mid-1920's to protest at high tin and rubber prices, which he attributed to Anglo-Dutch machinations. In a characteristic speech, he said: "Foreign control of price and distribution of our (*sic*) raw materials is a question of great moment to the United States. . . The question is one of great gravity not only to ourselves but to the world as a whole. The issue is much broader than the price of a particular commodity. . . it involves the whole policy that our country shall pursue toward a comparatively new and growing menace in international good will. The world has often enough seen attempts to set up private monopolies, but it is not until recent years that we have seen governments revise a long-forgotten relic of medievalism and of war-time expediency by deliberately erecting control of trade in raw materials. . . and through these controls arbitrarily fixing prices to all the hundreds of millions of other people in the world. It is this

16. British and Dutch oil company managers and engineers had no option but to turn to the United States for specialist and advanced equipment and expertise, a dependence that could be, and was, used as a lever to extract concessions; see F. C. Gerretson: *History of the Royal Dutch*, four vols., 1953-57, second ed. 1958.

17. Standard works include, for rubber, P. T. Bauer: *op. cit.*, and, for tin, Yip Yat Hoong: *The Development of the Tin Mining Industry of Malaya*, OUP, Singapore, 1969.

intrusion of government into trading operations on a vast scale that raises a host of new dangers—These questions concern not only our own welfare but also the welfare of consumers in fifty or more nations.”¹⁸

Worse, from the American point of view, was to come with the stricter and more inclusive schemes of the 1930's. Cordell Hull, reflecting the interests of the United States business community, took a particularly strong stand on the schemes, arguing that American industry was being “held to ransom,” and that “raw material supplies must be available to all nations without discrimination.” He had a memorandum circulated to the 1933 London Economic Conference calling for raw material policies “equitable to the consuming countries.” In his resentment at what he regarded as primarily British Empire interference with American interests Secretary Hull undoubtedly spoke for US industry. In 1934-35 the House of Representatives undertook an elaborate investigation designed to establish the extent to which the United States could become independent of the British for vital tin supplies. One problem was that Britain had a near-monopoly of smelting, and when America proposed setting up a rival smelting concern in the States, London swiftly retaliated by the threat of organising a withholding of ore. It was acts such as this that helped heat Hull's ire. The significance of Hull is that, in the last stretch of his record tenure of office as Secretary of State, he was responsible, during the second world war, for the formulation of US post-war foreign economic policy goals.¹⁹

The emergence of Japan as a major economic force in South East Asia was another de-stabilising factor inter-war. Between 1914 and 1918, whilst the European colonial powers were engrossed with warfare in the West, both Japan and America made decisive inroads into traditionally European-dominated markets in South East Asia. Japan was the more successful in this respect, its products being cheap, while of good quality, and its marketing aggressive and well pitched and attuned to local needs. By 1934, nearly a third of value of Indonesia's imports came from Japan, compared with less than 2% before the first world war. The picture was similar elsewhere in colonial Asia. Naturally, the colonial powers retaliated with a series of measures in the 1930's designed to preserve to themselves these markets which it was in their political power to regulate. For Japan this was no small matter. Indeed it was a matter of life and death, economically. The continued expansion and development of Japanese capitalism demanded expanding markets *and* access to the host of raw materials which were lacking in Japan itself. South East Asia answered both desiderata perfectly. Neither the European powers nor the US could compete with Japanese goods in a free trade South East Asia, and the region

18. Cited in J. W. Gould: *Americans in Sumatra*, The Hague, 1961, p. 98.

19. See Gabriel Kolko: *The Politics of War*, Weidenfeld & Nicolson, London, 1969.

had most of the things Japan's industry needed.²⁰ As the colonial powers closed their economic portals, however, and then started interfering with the flow of raw materials to Japan, Tokyo was left with no option but to go to war.²¹

It should be added that the United States, too, fell victim to the new protectionism employed by the old colonial powers. The American share of international trade fell precipitately after 1929, and although undoubtedly the general shrinkage in world trade could be held in part responsible, in part this contraction of the US stake was a direct consequence of, and was seen in Washington as being a direct consequence of, measures—such as Britain's system of Imperial Preference—taken by the old colonial powers to guard their own interests. There was a real fear, which again dominated American thinking about the shape of the post-war world economy during the war, that unless all such impediments were swept away America would be shut out of the world markets upon which her economy increasingly depended.²²

South East Asia as such was by no means unimportant to the United States—on the contrary. In 1939 and 1940 a fifth of all US imports came from Malaya, Indonesia and the Philippines alone. Almost all American imports of rubber, tin and cinchona (for quinine) came from South East Asia, and the bulk of her abaca from the Philippines. After France, America was the second biggest importer of Indochinese exports. In 1940, Stanley K. Hornbeck, the State Department's influential political adviser for Far Eastern Affairs in the crucial years of decision just before and during the Second World War, emphasised the significance of South East Asia in these words: "Only on the lands west of the Pacific, and especially on southeastern Asia, is our dependence so vital and so complete that our very existence as a great industrial power, and perhaps even as an independent state, is threatened if the sources (of raw materials) should be cut off."²³

20. The Greater East Asia Co-Prosperity Sphere, announced in 1938 but owing much to the earlier ideal of a New Order in Asia, was based upon a clear recognition of the complementarity of Japan and South East Asia, which the following table helps to illustrate:

	Japan's raw material needs (annual, '000 metric tons)	South East Asia's exports (annual, '000 metric tons)
Rice	1,757	6,005
Sugar	970	1,907
Rubber	61	1,054
Abaca	58	165
Coal	6,849	1,803
Petroleum	4,369	7,537
Iron and Steel	4,284	2,496
Manganese	133	87
Bauxite	221	298
Tin	9	125

(Source: the 1965 edition of the *Oxford Economic Atlas of the World*, citing immediately, pre-war figures).

21. For recent works throwing light on this see: J. Toland: *The Rising Sun*, Cassell & Co., London, 1970; D. Bergamini: *Japan's Imperial Conspiracy*, Heinemanns, London, 1971; J. Halliday: *A Political History of Japanese Capitalism*, Pantheon, New York, 1975.
22. See Gabriel Kolko: *op cit.*, and the same author's *The Roots of American Foreign Policy*, Beacon Books, Boston, 1969.
23. Cited in Jonathan Marshall: "Pearl Harbour," *Pacific Research and World Empire Telegram*, Vol. V, no. 3, March-April, 1974.

As Jonathan Marshall has shown, the Japanese incorporation of huge tracts of China was of comparatively little concern to the American business community, however much it agitated other—for instance Church—interests.²⁴ Rather than antagonise the Japanese, with whom there were increasing, and increasingly important, economic links, US industry was prepared, in effect, to condone Japan's imperialist forays into China, with which, despite a century of high expectations, comparatively meagre economic returns accrued. But, as soon as Japan began encroaching upon Indochina, gateway to South East Asia, the American business community became instantly alert. South East Asia was a very different proposition from China, and when Japan moved into Cochin China (southern Vietnam) in July-August, 1941, war became inevitable.

It should be noted that the economic potential of South East Asia, and therefore its importance to Washington (and Tokyo) was greatly enhanced just prior to the outbreak of hostilities by striking confirmation of the oil wealth of Indonesia. Caltex geological and geophysical exploration in Sumatra had found, in the Minas field, "...one of the world's greatest known reservoirs of oil and the only 'super-giant' field found in East Asia."²⁵ Before it could be brought into production it had to be abandoned when Japan launched her invasion thrust into Indonesia. The Japanese, however, did succeed in extracting oil, using equipment left behind by the Americans. (Delayed by the Indonesian struggle for Independence—substantially helped by the USA²⁶—production under American auspices did not resume until 1952; it was Sukarno's later threat to the interests of Caltex and Stanvac in Indonesia that sealed his fate.²⁷)

Paradoxically, Japanese and American aims in South East Asia were not totally incompatible: on the contrary, what was at issue was on which country's initiative would the carve-up take place. Both ruling groups agreed on the need to eliminate European colonial rule; they also shared the view that South East Asia's principal economic role must continue to be the supply of primary commodities and absorption of the exports (including the capital) of developed industrial powers. If Tokyo's gamble—of occupying the region, hoping for a peaceful definition of spheres of influence with Washington, on expectation in turn based upon the premise that Hitler would win the European-North African war—had succeeded, Japan would have been in a position to market

24. See Jonathan Marshall: *op cit.*, and the same author's "Southeast Asia and US-Japan Relations, 1940-41," *Pacific Research and World Empire Telegram*, Vol. IV, no 3, March-April, 1973.
25. R. H. Hopper: "The Discovery of Indonesia's Minas Oilfields," *Petroleum News South-east Asia*, Vol. 7, no. 3, June, 1976, p. 12.
26. The American decision to extend whole-hearted backing to the Indonesian nationalists was based upon two considerations: one, accumulating evidence that the Dutch lacked the ability to restore their colonial authority; and, two, proof of the anti-communist credentials of the nationalist leaders in their savage suppression of the communist Madiun rising of 1948 and in their willingness to make concessions to Dutch capitalism in particular and to international capitalism in general during the protracted independence negotiations. Holland capitulated, however, only when the USA threatened to withhold all economic and military aid; without it, of course, Holland would have been unable to sustain the war in Indonesia, and her domestic economy would have been prostrated. See D. Mozingo: *Chinese Policy toward Indonesia, 1949-1967*, Cornell University Press, Ithaca, New York, 1976.
27. See Peter Dale Scott: "Exporting Military-Economic Development—America and the Overthrow of Sukarno, 1965-67," in M. Caldwell (ed.): *Ten Years' Military Terror in Indonesia*, Spokesman Books, Nottingham, 1975.

South East Asian raw materials to American industry as well as supplying her own; she would also, of course, have marketing, investment and financial advantages in the "Co-prosperity" sphere. As it was, the USA, inevitably in view of her vastly superior command of resources and industrial supremacy, was able to turn the tables and, while willingly supplying Japan with oil and the rest—at a price²⁸—and allowing her access to the region, to assimilate her Pacific rival into the new post-war empire under American hegemony.

All this being so, it was never for a moment seriously considered in Washington to do other than resuscitate Japanese capitalism after the war as quickly as possible, albeit with modifications making the system more acceptable to American capitalism. The period of hostilities was fruitfully employed in the United States in blue-printing in detail the structure of the empire to be launched in peace-time. It is worth looking at this period for the light it throws on what was to come in South East Asia.

Both official and unofficial bodies in America had by then been working for some time to establish the economic and strategic importance of East and South East Asia to future American prosperity and security. One such body, the handsomely financed Institute of Pacific Relations, had mapped out the agricultural and mineral wealth of the area and explored the possibilities of extending the acreage devoted to commercial crops such as rubber and sugar; in addition, it had investigated "trouble spots" and come up with some suggestions, many latterly tried out in the field so to speak, on how the U.S. government might "de-activate" peasant insurrections by "rural reconstruction" and "population redistribution."²⁹ But undoubtedly the most important and influential body, which in large measure was responsible for shaping the post-war world³⁰ was the Council on Foreign Relations (CFR).

The CFR was not, properly speaking, an official body. It consisted of an elite group of wealthy businessmen, top bankers, corporation lawyers, leading academics of a conservative bent, technocratic experts, government civil servants drawn from the uppermost reaches of the bureaucracy, distinguished and influential past and present politicians, and senior journalists. But although technically unofficial it had intimate and rather special relations with the government—particularly the top levels of the State Department—apart from having officials involved in its deliberations. These men, representing wealth and power in US society, working with aims and assumptions which were explicitly imperialist, planned for an expansionist programme for the post-war period, mapping out an American empire of global extent and designing its institutions and *modus operandi*.

Working through numerous specialist sub-committees, the CFR sages examined such sensitive matters as the quantity and availability of all primary

28. See Pasi Patokallio: "Energy in Japanese-American Relations—A Structural View," *Journal of Contemporary Asia*, Vol. V, no. 1, 1975; also Michael Morrow: "The Politics of Southeast Asian Oil," in M. Caldwell (ed.): *op. cit.*, J. Halliday and G. McCormack: *Japanese Imperialism Today*, Penguin Books, London, 1973, and J. Halliday: *A Political History of Japanese Capitalism*, Pantheon Books, New York, 1975.

29. J. Marshall: "IPR Was Big Business," *Pacific Research and World Empire Telegram*, Vol. VI, no. 4, May-June, 1975.

30. L. H. Shoup: "Shaping the Poster World—The Council on Foreign Relations and United States War Aims During World War II," *The Insurgent Sociologist*, Vol. V, no. 3, 1975.

products world-wide, the financing of post-war recovery, the cost and physical implications of shouldering the obligation of policing the projected American empire, and the future of the old Western European colonial powers. Among themselves, the patrician pundits scorned circumlocution, and—calling a spade a spade—discussed their proposed American empire explicitly as such, not even shunning the actual term imperialism, however, for public consumption the vocabulary was altered, and American aspirations were couched in terms of “the four freedoms”, “the fight for democracy” and other such acceptable platitudes.

On the basis of their deliberations, the CFR researchers concluded that American prosperity and the health and the vitality of capitalism generally in the post-war world demanded, as a minimum, a “Grand Area” including the Americas, Western Europe, the former European colonies, and the Far East. Ideally, Russia and the satellites it was to be granted in Eastern Europe should be incorporated as well, it being understood that the United States assumed that in the post-armistice world it would hold “unquestioned power,”³¹ an assumption which, after all, simply reflected realities and furthermore was implicit in the whole scheme for an integrated international economy under US hegemony. What was sought was “. . . a world settlement after this war which will enable us to impose our own terms.”³²

To the extent that they were able to follow the drift of these momentous debates inside the American ruling class, Western European leaders were unappreciative. They understood that the proposed international dispensation entailed dismantlement of their own empires. Throughout the war, therefore, they fought to have their point of view heard, and to preserve their colonial possessions. In particular, Britain, France and Holland stood shoulder-to-shoulder in defence of their rich properties in South East Asia, fighting a rear-guard action against US pressure and not-so-subtle hints, such as President Roosevelt’s mandate proposal for Indochina, a proposal which the French correctly interpreted as an American bid to take over their prized—and strategically crucial—colony, which was—and was seen to be (so much having just been proved by Japanese action there and its consequences)—the key to control over South East Asia as a whole, including the lushest plum, Indonesia.

The decision to impose a world-wide Pax Americana in order to ensure post-war recovery virtually dictated the shape and nature of the institutional and military structure of the world in the decades after 1945. Much of the economic debility of the inter-war period was attributed to the inability of Britain to fulfil the role she had shouldered so ably during the long secular boom of the late nineteenth and early twentieth centuries. Because of this failure, much else followed: restrictionism and protectionism, impeding the global flow of vital raw materials and the accessibility of world markets, for instance. It was to be a world of open economic doors, its activities lubricated by plentiful liquidity and the whole patrolled and garrisoned by a world-wide network of U.S. military bases. In rapid succession, the CFR came up with blue-prints—latterly adapted with little modification (and none of substance) by the allies—for the IMF, the World Bank, the United Nations, and the like institutions necessary for implementation of the grand design. Life was to be pumped back into

31. L. H. Shoup: *op. cit.*, p. 16.

32. L. H. Shoup: *op. cit.*, p. 34.

the world's economy by "generous" American aid, a massive expansion of American foreign investment, rapid Western European and Japanese reconstruction and resuscitation, and an unprecedented scale of peace-time military expenditure.³³

As the war wore on, it became apparent that "saving" China was problematic; American advisers and observers there were increasingly of the opinion that "peanut" (Chiang Kai-shek) was nothing but a particularly rapacious and ruthless gangster representing little but the money hunger of his immediate family and entourage, and that the "mandate of heaven" was inexorably passing to the Communists, who had borne the brunt of fighting the Japanese invader and whose nationalism, incorruptibility, dedication, and industry were already legendary (and well earned).³⁴ Circumstances were, in fact, to force Washington to abandon their Chinese client.³⁵ South East Asia, as a consequence, became in effect the front-line of the American empire. To guarantee the security of South East Asia and Japan, two spots in particular became of crucial importance: Vietnam and Korea. In Korea, Washington had simply to replace the defeated colonial power (Japan), and in the result the country ended up partitioned, with an American-occupied south and an independent north.³⁶ In the case of Vietnam, Washington hesitated, but finally came down in favour of helping the French to restore their pre-war colonial control: "The decision," wrote Kolko, "would shape the course of world history for decades."³⁷

From the point of view of the European colonial powers with a stake in South East Asia so much represented a concession to their unanimous and oft-stated view. The varied fortunes of France, Britain and Holland in the years after 1945, and America's reactions, are outside the scope of this study, at least in their detailed aspects. It is important to note, though, that each of the old colonial powers had to make in turn, concessions to American capitalism, in such respects, for example, as removing all restrictions on entry of US investment into their colonies, on the marketing of US products, and on the production and export of regional raw materials (except to the extent approved by Washington after consultation with it). It is when we examine the statistics of economic activity in South East Asia today compared with those in, say

33. G. Kolko & Joyce Kolko: *The Limits of Power*, Harper & Row, New York, 1972; D. Horowitz (ed.) *Corporations and the Cold War*, MR Press, New York, 1969; F. J. Cook: *The Warfare State*, New York, 1964.

34. See K. E. Shewmaker: *Americans and Chinese Communists, 1927-1945*, Cornell University Press, Ithaca, New York, 1971; J. F. Melby: *The Mandate of Heaven*, London, 1968; Jack Belden; *China shakes the World*: Penguin Books, London, 1974; Edgar Snow: *Red Star over China*, Penguin Books London, 1972; John S. Service: *Lost Chance in China*, Random House, New York, 1974; Barbara Tuchman: *Sand Against the Wind* Macmillan, London, 1970.

35. Not least of these circumstances was disinclination on the part of US forces stationed in China and the Far East generally to participate in fighting on Chiang's behalf: see J. F. Melby: op. cit., and Mary Alice Waters: *G.I.'s and the Fight Against War*, New York, 1967.

36. Much long overdue research is now opening up on Korea's recent history: for an introduction see the special issue on Korea of the *Journal of Contemporary Asia*, Vol. V, no. 2, 1975.

37. G. Kolko: *The Roots of American Foreign Policy*, Beacon Books, Boston, 1969, p. 92.

1938 that we appreciate what the Pacific war wrought—or rather what the opportunity it offered was turned to by the United States.³⁸

But while the war gave American business the opportunity of extending its sphere of operations with the co-operation of the U.S. government, it also greatly accelerated development of the regional national and social revolutions. "For the nations of South-East Asia," writes Jan Pluvier, "the Japanese occupation was the dividing line between passive submission to foreign rule and active participation in shaping their own destiny. It is true that the struggle to liberate the region from alien domination had already started around 1900, and that it continued for a considerable time after the downfall of Japan. It is also true that in the three decades after 1942 its most spectacular result amounted to little more than the disappearance of old-style political colonialism. It did not bring to an end South-East Asia's economic subordination to the outside world, nor did it lead to genuine independence in the sense of complete freedom from foreign interference or tutelage. However, although the Japanese interlude served only to hasten the process of emancipation, and the outcome of the liberation movement was still incomplete... (in the 1970's), the years between 1942 and 1945 were a landmark in South-East Asia's history in that they caused a change of tempo as well as of methods and, in fact, produced the real beginning of the wars of independence."³⁹

It is impossible here to chart all the different country patterns which emerged from the interactions of Japanese policies, Japanese personalities, the decisions of the local nationalist movements and the like. But we may generalise and isolate the following significant consequences of the brief hegemony of Tokyo. In the first place, there was a considerable militarisation of the local peoples. Some learned the basics of armed struggle in the anti-Japanese guerrilla. Others were trained by the Japanese in a variety of anti-imperialist (i.e. anti-Western) military and para-military formations. The number of guns in the region—that is those not in the hands of occupying forces—rose considerably, both during the war, when the allies distributed weapons to some of the

38. To take but one example of the transformed economic picture, we may compare the figures for foreign investment in Indonesia in 1937 and in 1974:

	1937	(in million US dollars)	1974	
Dutch	1,040		1,545	Japan & Other Asian
British	200		956	USA
USA	95		256	Europe
French	35		132	Australia)
Japanese	12		1	Africa
Others	29			
Total	1,411		2,890	

Notes: The 1937 figures are of entrepreneurial investment (some 70% of rentier investment in 1926 was estimated to be in Dutch hands) and are from H. G. Callis: *Foreign Capital in South-east Asia*, New York, 1941, p. 34; the 1974 figures are from *Sinar Harapan*, Djarkarata, (16/3/74).

- (i) "Other Asian" means, in effect, Hong Kong and Singapore mainly; it is very difficult to sort out what part of investment coming out of Hong Kong, Singapore, Taiwan and Australia is, in fact, in whole or in part American Japanese or British. What is clear is that the proportions between European investment and US/Japanese have been reversed.

A similar picture would emerge in other countries in South East Asia—notably, Thailand, Malaysia, Singapore and South Vietnam before its liberation. The same story is reflected in trade figures.

39. J. M. Pluvier: *op. cit.*, p. 285.

anti-Japanese guerrilla forces, and immediately after it when nationalist forces acting on their own initiative took weapons from the Japanese. In the second place, the Japanese, having humiliatingly defeated the white man militarily, set about further reducing his prestige by publicly abusing those who had been captured—but also by giving some of the white man's jobs to "natives" thus proving that "native" could very well do without white man. In the third place, the Japanese undoubtedly did give some direct encouragement to the development of local nationalism, albeit, naturally, with mixed motives. Finally, the occupation brought unprecedented economic hardships, inflation, hunger, slave labour, and, indeed, latterly total economic collapse; the returning colonial powers found themselves faced, therefore, with peoples both emboldened and embittered, ready to fight for their rights, and determined upon independence.

Washington and London were well aware of the dangers, and in some respects we may say that "counter-insurgency" began even before the war had ended. For instance, in the Philippines there was—in addition to the left-wing Hukisan American-officered guerrilla which kept an eye on the former, and tried to protect the property of US corporations and of the sugar companies from sabotage and destruction. It has been alleged that the Americans even "... intrigued with the Japanese to suppress the Hukbalahap."⁴⁰ What is certain is that the US-led guerrilla frequently clashed with the Huks and tried to disrupt their organisation and mass base in the peasantry, and that when Gen. MacArthur returned to the Philippines—and *before* the Japanese surrender (while there was still fighting going on in the country)—he quickly moved to arrest, disarm and terrorise Huk and PKP (Partido Komunistang Pilipinas—Communist Party of the Philippines) leaders as the American army advanced. At the same time, reactionary landlords (collaborators to a man with the Japanese as long as they were in power) "... under protection of U.S. troops, sought to regain their lands, rents and domination, setting up armed groups with arms provided by the U.S. army to fight the Huks and resisting peasants."⁴¹ The pattern of the post-war struggle was therefore established even before the cessation of hostilities; armed guerrillas are to this day fighting President Marcos' neo-colonial dictatorship sponsored by Washington⁴².

The pattern was, in fact, a regional one, and although the French, the British and the Dutch had their parts to play in "restoring order" in the region, the whole was orchestrated from Washington. As we saw above, the US was committed to restoring French power in Indochina—a commitment that was far from passive. While Britain was entrusted with taking the Japanese surrender in the southern half of Vietnam—a task interpreted as including frustration and harassment of the Vietnamese nationalists and assistance to the French in

40. W. J. Pomeroy: *An American Made Tragedy*, International Publishers, New York, 1974, p. 75.

41. W. J. Pomeroy: *op. cit.*, p. 77.

42. This is so, despite the fact that the old PKP (or at least a major segment of its leadership) has rallied to Marcos; in 1968, the Communist Party of the Philippines had been "re-established" on the basis of Marxism-Leninism-Mao Tse-tung thought, and in the following year the re-constituted party launched the New People's Army, a guerrilla which continues to fight in the rural areas among the oppressed peasantry.

grabbing back control of the colony⁴³—a senior OSS mission parachuted into Hanoi pledged to the task of “preventing violence by Annamites on French nationals” (that is, in other words, helping the French against the Vietnamese who a few days after the drop declared their independence).⁴⁴ American, arms and American troop transport ships were also crucial to the French effort, while of course American economic aid helped bolster French expenditure on the war. The modern Thirty Years’ War had begun.⁴⁵

After the Americans, it was the British who were most involved on a regional scale, not only because of the regional extension of their pre-war economic interests (notably in Thailand and Sumatra in addition to Burma, Malaya, and the northern part of Borneo⁴⁶), but also because, having a well-trained, well-disciplined, experienced army available, it fell to Britain to restore “law and order” in Indonesia as well as in her own colonies and in south Vietnam. The British performance in Indonesia actively promoted restoration of Dutch colonial rule,⁴⁷ much as in Indochina it had eased the way for the French; that both efforts were ultimately futile—though we would have to qualify the statement, in the sense that even the Dutch have enjoyed some revival of their economic activities in Indonesia since the America-aided Suharto coup—is beside the point. The effort had to be made—it was merely an extension of the long rearguard action which the Western European colonial powers had fought throughout the war—to preserve what they could of their pre-war privileges in South East Asia and to limit American ambitions by accommodation to them.

Malaya was at the very heart of Whitehall’s concerns. It was appreciated by British politicians, businessmen, bureaucrats, and influential economists alike that without retaining control over Malayan rubber and tin recovery would be virtually impossible. Malaya was essential to the functioning and solvency of the entire Sterling Area. Sales of rubber and tin to America furnished more

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43. See George Rosie: *The British in Vietnam*, London, 1970; this is a good straight-forward account, sympathetic to Vietnamese nationalism, but it lacks the necessary context in analysis of US designs for and strategy in the region. The recently launched *Vietnam Quarterly*, besides reporting on reconstruction in the united country, aims to undertake systematic representations of the past, and we may, sooner or later, expect a re-assessment of Britain’s early (and perhaps indeed, too, later) role; the quarterly is obtainable from P. O. Box 705, Cambridge, Mass., USA 02139.
44. M. Caldwell & Lek Tan: *op. cit.*, p. 72.
45. The task of writing a history of this long war is a daunting one, but a number of projects are under way or under serious consideration; see also reference 43 above.
46. The difference in British and American attitudes to Thailand immediately after the war is extremely revealing. Thailand had joined the war on the side of Japan, and the bulk of the upper-class had collaborated. Japan had rewarded them with, *inter alia*, the northern states of Malaya, to which Bangkok had a claim. Britain, naturally, sought retribution—and restoration of her pre-war ascendancy in Thai economic life. Washington, which preferred to ignore the Thai entry into the war on the Japanese side, and wished only to see a “friendly” (i.e. anti-communist) regime in Bangkok had other ideas; naturally American business was also interested in prospects. Subsequently the US took responsibility for “counter-insurgency” in Thailand—see G.K. Tanham: *Trial in Thailand*, New York, 1974, and T. Flood: “The Thai Left Wing in Historical Context,” *Bulletin of Concerned Asian Scholars*, Spring, 1975. It also succeeded, with the help of the World Bank (its creation), in improving the investment climate and paving the way for American and Japanese replacement of Britain and the other European powers in the Thai economy.
47. See G. McT. Kahin: *Nationalism and Revolution in Indonesia*, Ithaca, New York, 1952; A. J. F. Doulton: *The Fighting Cock*, Aldershot, 1951; D. Wehl: *The Birth of Indonesia*, London, 1948; F. S. V. Donnison: *British Military Administration in the Far East*, London, 1956; B. R. O’G. Anderson: *Java in a Time of Revolution*, London, 1972.

dollars than all British exports combined.⁴⁸ To understand the significance of all this, it has to be recalled that—at the end of the war—Britain was bankrupt. Saddled with immense war debts, bereft of segments of her formerly lucrative overseas investments, committed to an expensive programme of social reform, Britain under Labour had no option but to seek massive American loans, servicing and ultimate repayment of which hinged upon her ability to earn dollars.

But there was another factor to take into consideration. As we noted above, American industry had been greatly exercised—even angered—by Anglo-Dutch manipulation of raw material prices. Washington therefore took advantage of the insatiable dollar hunger of Britain and Holland to eliminate this irritant: In the government “...in consultation with the American rubber industry worked with Britain, France and the Netherlands to regulate the buying price for the US at a level it wished to pay.”⁴⁹ In practice, the United States forced down primary product prices as a condition for continuing to aid her economically ailing allies.

The conjuncture of these two harsh realities placed Britain in an unenviable position. Production of Malayan rubber and tin had to be stepped up. But the level of prices acceptable to Washington made payment of sub-standard wages inevitable. It was, however, no longer as easy as it once had been to force Malayan workers to accept sub-standard wages. The scenario for the prolonged “Emergency” had been drawn up.

There was no lack of realism in London about what was entailed. The colonial Special Branch had always been assiduous in cataloguing the activities of those whom it considered “subversive” or “agitators” (and the like). And although, on the surface, it appeared that there had been close collaboration between the MCP (Malayan Communist Party) and the British in the fight against the Japanese, in reality the relationship was very complex—and on the British part tentative, partial, and expedient.

Working-class militancy and MCP activity had increased dramatically in the troubled 1930's. The depression itself was, of course, the backdrop, but as far as Malaya in particular was concerned, the virtual cessation of mass immigration from China and India after the mid-1930's was a key factor. From the earliest days of British intervention until then discontent and protest on the part of the plantation and mining labour forces had always been defused by regulating the tap on immigration—there were always thus swarms of newly arrived coolies ready to step into jobs left vacant by management sacking of “bolshies” and “trouble-makers.” Now the tables were to some extent turned, the more so since recovery, and the economic impact of the coming war, simultaneously was increasing demand for labour. The period immediately preceding outbreak of the Pacific war therefore witnessed many fierce industrial

48. *Malayan Monitor*, March, 1948, gave the following figures for the completed year of 1947: rubber from Malaya earned US \$200 million; all manufactured goods exported from Britain earned a total of US \$180 million. *British Malaya*, August, 1949, reported Sir Eric Macfadyen as saying in his annual report to the Lenadon Rubber Estates in 1949 that “...rubber is of more importance to the British economy than Marshall Aid. Last year Malaya alone produced just about 700,000 tons. The USA imported from that country over 450,000 tons. Every penny in the price per pound up or down means about US \$17 million in our balance of trade.”

49. Gabriel Kolko & Joyce Kolko: *op. cit.* p. 74.

conflicts, often put down with great brutality and ruthlessness by the police and armed forces. The Special Branch stepped up the arrest and banishment of known leaders and activities and one should note that banishment as a Chinese "communist" from Malaya back to say, Shanghai, at this time was tantamount to a death sentence, with the fascist KMT in control and the CPC banned.

The MCP was comparatively independent, and was not responsive to all the twists and turns of Soviet policy *vis-a-vis* the approaching war. However, having sustained anti-British activity at a high level through both the "united front" and Hitler-Stalin pact periods, the MCP itself switched its line in late 1940, and began calling for anti-Japanese unity.⁵⁰ Not surprisingly, the British were sceptical, and it was not until the Japanese were on Malayan soil and sweeping south towards Singapore that serious negotiations took place on the defence of the island and on the possibility of organising "stay behind" parties. The outcome was hurried training of a number of Chinese selected by the MCP at the 101 Special Training School; these were to form the nucleus of the MPAJA (Malayan People's Anti-Japanese Army). Chinese were also organised into "Dalforce" for virtual last-ditch "kamikaze" resistance to Japanese entry into Singapore itself.

The decision was eventually taken at SEAC to co-ordinate with the MPAJA via Force 136 officers dropped into occupied Malaya. However, great care was taken to limit communication with them—and supplies to them—to the extent congruent with strictly British interests only. The Chinese attached to work with Force 136 from the allied side were all carefully hand-picked KMT trustees. Nothing could, though, prevent emergence of the MCP, the MPAJA, and MPAJU (the Malayan People's Anti-Japanese Union—the guerrillas' support organisation among the population) as the sole groups with the will and ability to sustain resistance to the Japanese. This fact was duly reflected in the weeks which elapse after the Japanese surrender and before the return of the British, when the MCP emerged from the jungles and mountains to administer the country as the only cohesive and respected force able to do so.

When the British did return, they were not blind to the fact that a totally new social *gestalt* faced them. Not only had the MCP acquired arms and battle training and experience; not only had the support organisations networked the country; not only had an Indian National Army readily been raised on an anti-British basis by the Japanese (attracting the support of countless Indian coolies: many others joined the MPAJA: it is worth recording that the INA, although to some extent indebted to the Japanese, absolutely refused to participate in anti-MPAJA activity—with which they sympathised—reserving their strength for the projected liberation of India); not only had the top Malay leaders and big Chinese businessmen either collaborated or fled with the British and therefore discredited themselves as thoroughly in the eyes of the people as the British themselves; *but*, in this unpromising and hostile milieu, Whitehall somehow *had* to restore colonial control or bow to the inevitability of a future pawned to Washington and amounting to subsistence on hand-outs and charity.

50. Far less attention has been paid to the history of the MCP than to the history of the PKI (Communist Party of Indonesia), but the number of useful sources is increasing: See, for example, C. B. McLane: *Soviet Strategies in Southeast Asia*, Princeton, 1966; a great deal of research remains to be done, not only on the pre-1945 period but also on the "Emergency" itself and on the post-1960 period.

British tactics ultimately proved successful (in the short term, that is⁵¹); indeed, British handling of the "Emergency" subsequently came to be taken as a model of counter-insurgency, and American occupation policy in South Vietnam for a time owed much to emulating its innovations.⁵² Nevertheless, as even writers sympathetic to British colonialism and hostile to the pretensions of the MCP admit,⁵³ it was very much touch and go: without massive British military intervention, large-scale "re-settlement" of people, and application of every form of population harassment and oppression, in other words, a Socialist Republic of Malaya would have emerged a quarter a century ago. The relevance of all this to the post-war economic history of Malaya—and of South East Asia—requires no elaboration here.

What was true of the Japanese occupation's impact on the people's struggle in Malaya, was true throughout the region, allowing for inevitable variations in specifics and in degree. This much has been demonstrated by the fact that since 1945 the region has not known peace. Indochina has—at last—been liberated after untold anguish; elsewhere the struggle continues. I hope to have shown in this paper that we must seek the roots of this struggle in the decades before 1945—in the socio-economic history of south East Asia under late colonialism and Japanese occupation.

MALCOLM CALDWELL

51. By the late 1960's, the MCP had re-launched armed struggle inside West Malaysia from its bases in southern Thailand; today, Kuala Lumpur faces a second "Emergency", some of the features of which are more alarming for the government than any in the first.
52. Not only did "think tanks," such as the Rand Corporation, subject the British experience in Malaya to minute scrutiny in a series of monographs, but a succession of British "counter-insurgency experts," bloodied in Malaya, were drafted to help the Americans try to defeat the Vietnamese Revolution.
53. See, for instance, R. Clutterbuck: *Riot and Revolution in Singapore and Malaya, 1945-1963*, Faber & Faber, London, 1973.