

**THE POLITICS OF ETHNICITY, FEDERALISM AND DEVELOPMENT IN A  
MALAYSIAN STATE: A CASE STUDY OF THE BERJAYA GOVERNMENT IN  
SABAH, MALAYSIA, 1976-1985**

by

REGINA LIM

**Thesis submitted in fulfilment of the requirements for the degree of  
Master of Social Science**

September 2005

## **ACKNOWLEDGEMENTS**

In the research, preparation, and writing of this thesis, I benefited enormously from the advice, consultation and tolerance of my supervisor, Prof. Francis Loh Kok Wah of the School of Social Sciences, Universiti Sains Malaysia. I also want to thank Dr. Lim Hong Hai of the School of Social Science, USM, for his constructive comments on my thesis. In Sabah, I would also like to express my appreciation to the staff of the Sabah Archives, the Sabah State Library, and the Research Library at Yayasan Sabah, all of whom were efficient and helpful in the services they provided. To all those who consented to be interviewed, I also express my thanks. Dr Rochana Bajpai kindly allowed me access to material gathered with a research grant from Balliol College, University of Oxford. Special acknowledgements for support and encouragement must go to my husband, Graham, the eternal optimist; and to my son, Nick, who provided essentially distraction, both when it was needed and when it wasn't. Finally I would also like to thank Nancy, Japiril, James and Matirissiah for their much needed familial support for the thesis to be finally completed.

## TABLE OF CONTENTS

|   | Page |
|---|------|
| Acknowledgements.....   | ii   |
| Table of Contents.....  | iii  |
| List of Tables.....   | v    |
| List of Figures .....   | vi   |
| List of Abbreviations and Glossary.....                               | vii  |
| List of Interviewees .....  | x    |
| Abstrak.....  | xi   |
| Abstract.....   | xiii |
| <br>  |      |
| CHAPTER 1 – INTRODUCTION: FEDERALISM, ETHNICITY AND DEVELOPMENT ..... | 1    |
| 1.1 Introduction .....  | 1    |
| 1.2 Literature Review: Themes in Sabah Politics.....                  | 4    |
| 1.2.1 Federalism .....  | 4    |
| 1.2.2 Ethnicity.....  | 7    |
| 1.2.3 Development.....  | 9    |
| 1.3 Research Questions and Methodology .....                          | 11   |
| 1.4 Organization of the Thesis .....                                  | 12   |
| CHAPTER 2 – HISTORICAL CONTEXT: SABAH BEFORE MALAYSIA.....            | 14   |
| 2.1 Introduction .....  | 14   |
| 2.2 The Jajahan System of the Brunei Sultanate.....                   | 15   |
| 2.3 The Datu System of the Sulu Sultanate.....                        | 16   |
| 2.4 The Overbeck-Dent Association and the Early Residents .....       | 18   |
| 2.5 The British North Borneo Company Government, 1881-1941 .....      | 21   |

|   |    |
|---|----|
| 2.6 The Native Rebellion.....   | 25 |
| 2.7 The Mat Salleh Revolt 1895 – 1903 .....   | 27 |
| 2.8 The Rundum Rebellion 1900 – 1915 .....  | 28 |
| 2.9 Native Representation 1915 – 1935 .....   | 30 |
| 2.10 The Emerging Civil Service and the Colonial Administration .....                     | 34 |
| 2.11 Conclusion .....   | 38 |
| CHAPTER 3 – CONTESTING THE RULES OF THE GAME, 1963-1976.....                              | 41 |
| 3.1 Introduction .....  | 41 |
| 3.2 Revisiting the Formation of Malaysia .....  | 42 |
| 3.3 The Malaysian Federation 1963 and the Singapore Crisis .....                          | 46 |
| 3.4 The Ethnic Configuration of Politics in Sabah .....                                   | 49 |
| 3.5 Federal Intervention, 1963-1976.....  | 52 |
| 3.6 Conclusion .....  | 60 |
| CHAPTER 4 – BERJAYA AND FEDERALISM .....  | 62 |
| 4.1 Introduction .....  | 62 |
| 4.2 Realigning the Power Struggle: BERJAYA and USNO in the Barisan Nasional.....          | 64 |
| 4.3 The Impact of the Mahathir Administration: BERJAYA and the New Politics of Islam..... | 75 |
| 4.4 Conclusion .....  | 85 |
| CHAPTER 5 – BERJAYA'S DEVELOPMENT AND PATRONAGE .....                                     | 89 |
| 5.1 Introduction .....  | 89 |
| 5.2 Economic Transformation Under BERJAYA.....  | 90 |
| 5.3 The Political Economy of BERJAYA: Timber and the ABS System .....                     | 93 |
| 5.4 The Institutional Expansion of BERJAYA's Corporate Government.....                    | 95 |
| 5.5 Pockets of Patronage: The Role of Cooperatives .....                                  | 99 |

|   |     |
|---|-----|
| 5.6 The Pledge for Political Loyalty: The JKK .....           | 104 |
| 5.7 Conclusion .....  | 110 |
| CHAPTER 6 – ISLAMIC LEADERSHIP AND MULTIRACIAL POLITICS ..... | 114 |
| 6.1 Introduction .....  | 114 |
| 6.2 Islamic Missionary Movements .....                        | 116 |
| 6.3 Immigration and the Name Game .....                       | 127 |
| 6.4 The Dispute over Kaamatan .....                           | 128 |
| 6.5 The BERJAYA Leadership Crisis .....                       | 134 |
| 6.6 Conclusion .....  | 139 |
| CHAPTER 7 – CONCLUSIONS.....                                  | 142 |
| REFERENCES .....  | 152 |

## LIST OF TABLES

|   | Page |
|---|------|
| Table 2.1: Muslim Membership of the NCAC (ACNA), 1915-1938 .....                | 34   |
| Table 3.1: Ethnic distribution, Sabah, 1960 and 1970.....                       | 49   |
| Table 3.2: Religious distribution by ethnic group, Sabah, 1960 .....            | 50   |
| Table 4.1: Performance of major parties in state elections, 1976 and 1981 ..... | 72   |
| Table 4.2: Highest level of schooling completed by major ethnic group, 1970..   | 79   |
| Table 4.3: Gross Domestic Product by industrial origin, 1970, 1980 and 1990.    | 83   |
| Table 4.4: Distribution of major export commodities, Sabah, 1963-1986.....      | 83   |
| Table 4.5: Transfers of revenue between Sabah and Federal Government .....      | 84   |
| Table 5.1: Sectoral contribution to GDP in Sabah and Malaysia, 1970-1985 ...    | 92   |
| Table 6.1: Selected mass conversions in Sabah, 1981-1984 .....                  | 121  |
| Table 6.2: Religious distribution by ethnic group, 1970.....                    | 130  |
| Table 6.3: Religious distribution by ethnic group, 1980.....                    | 130  |

## LIST OF FIGURES

|  | Page |
|--|------|
| Figure 4.1: Proportion of anak negeri in new appointments to the civil service, 1975-1984..... | 80   |
| Figure 5.1: Paved and gravel road mileage in Sabah, 1967-1985.....                             | 92   |
| Figure 6.1: Ethno-religious voting patterns, Sabah 1976.....                                   | 115  |

## ABBREVIATIONS AND GLOSSARY

|                              |  |
|------------------------------|--|
| ABIM                         | Angkatan Belia Islam Malaysia  |
| ABC System                   | System of granting political reward in Berjaya party                                       |
| ACNA                         | Advisory Council for Native Affairs  |
| <i>Adat</i>                  | Indigenous social customs and laws   |
| <i>Amanah Rakyat Sabah</i>   | Annual dividends distributed by Sabah Foundation for Sabahans who were 21 of age and above |
| <i>Anak</i>                  | Child  |
| <i>Bapa</i>                  | Father   |
| Berjaya                      | Parti Bersatu Rakyat Jelata Sabah  |
| Bersatu                      | Koperasi Usaha Bersatu Malaysia Sdn Bhd  |
| <i>Bersih, Cekap, Amanah</i> | Clean, Efficient, Honest   |
| BN                           | Barisan Nasional   |
| BNBC                         | British North Borneo Company   |
| <i>Bobohizan</i>             | Native Kadazan-Dusun Priestess   |
| BPU                          | Bumiputera Participation Unit  |
| <i>Bumiputera</i>            | Indigenous people  |
| CPA                          | Commonwealth Parliamentary Association   |
| CDO                          | Community Development Officer  |
| <i>Dakwah</i>                | Islamic Missionary   |
| DAP                          | Democratic Action Party  |
| <i>Datu</i>                  | Independent chiefs or leaders in the Sulu System   |
| D.E                          | Daily Express (Local newspaper in Sabah)   |
| FEER                         | Far Eastern Economic Review  |
| <i>Huguan Siou</i>           | Kadazan-Dusun Paramount Chief  |
| IGC                          | Inter Governmental Committee   |
| <i>Jajahan</i>               | System of territorial governance under Brunei Sultanate                                    |
| JKK                          | Jawatankuasa Kemajuan Kampung  |
| JKKK                         | Jawatankuasa Keselamatan dan Kemajuan Kampung  |
| JUB                          | Syarikat Jaya Usaha Bersatu Sdn Bhd  |
| <i>Kaamatan</i>              | Celebration of Kadazan-Dusun Harvest Festival  |
| <i>Khalwat</i>               | Illicit proximity between a man and a woman  |
| KMA                          | Kinabalu Motor Assembly  |
| KOBERSA                      | Koperasi Berjaya Berhad  |
| KOJASA                       | Koperasi Jelata Sabah  |
| KO-Nelayan                   | Koperasi Serbaguna Nelayan Sabah   |
| KORAS                        | Koperasi Rakyat Sabah  |

|                             |   |
|-----------------------------|---|
| KOSAN                       | SANYA Multi-purpose Cooperative Bhd               |
| KOSMA                       | KOSAN Marketing Agency                            |
| KPD                         | Koperasi Pembangunan Desa                         |
| MSC                         | Malaysian Solidarity Convention                   |
| MSCC                        | Malaysian Solidarity Consultative Committee       |
| MUIS                        | Majlis Ugama Islam Sabah                          |
| NCAC                        | Native Chief Advisory Council                     |
| NST                         | New Straits Times                                 |
| ODA                         | Overbeck-Dent Association                         |
| <i>Orang Tua</i>            | Village Headman                                   |
| PAP                         | People's Action Party                             |
| PAS                         | Partai Islam SeMalaysia                           |
| Pasok Momogun               | National Pasok Momogun Organization               |
| PBS                         | Parti Bersatu Sabah                               |
| PBBS                        | Persatuan Brunei Bumiputera Sabah                 |
| PERKIM                      | Pertubuhan Kebajikan Islam Malaysia               |
| Perkina                     | Perusahaan Kinabalu Motor                         |
| PETRONAS                    | Petroleum Nasional                                |
| PKR                         | Pemimpin Kemajuan Rakyat                          |
| PSBB                        | Persatuan Sabah Bajau Bersatu                     |
| PPU                         | Pribumi Participation Unit                        |
| <i>Pribumi</i>              | Muslim and non-Muslim Indigenous people in Sabah  |
| <i>Pusat Latihan Dakwah</i> | Dakwah Training Centre                            |
| SAFODA                      | Sabah Forest Development Authority                |
| SAMA                        | Sabah Marketing Cooperative Bhd                   |
| SANYA                       | Sabah National Youth Association                  |
| SCA                         | Sabah Chinese Association                         |
| SCCP                        | Sabah Chinese Consolidated Party                  |
| SEB                         | Sabah Electricity Board                           |
| SEDCO                       | Sabah Economic Development Corporation            |
| SKCA                        | Sabah Kadazan Cultural Association                |
| SLDB                        | Sabah Land Development Board                      |
| <i>Tamu</i>                 | Weekly market in major villages in Sabah          |
| <i>Tapai</i>                | Rice wine   |
| <i>Towkay</i>               | Influential Chinese Businessman                   |
| <i>Tulin</i>                | Part of a river governed by independent chiefs or |
| officers                    | of the Brunei Sultanate                           |

|      |  |
|------|--|
| UMNO | United Malay National Organization         |
| UNKO | United National Kadazan Organization       |
| UPKO | United National Pasok Momogun Organization |
| USDA | United Sabah Dusun Association             |
| USIA | United Sabah Islamic Association           |
| USNO | United Sabah National Organization         |
| YPS  | Yayasan Pribumi Sabah                      |

## LIST OF INTERVIEWEES

|  |            |
|--|------------|
| Harris Mohammad Salleh (BERJAYA President and Former Chief Minister of Sabah)<br>..... | April 2003 |
| Datuk Haji A.G Sahari (President of USIA).....   | March 2003 |
| Former Ketua Kampung in Kundasang Area.....  | May 2003   |
| Local businessmen (anonymous interviews) .....   | 2003       |
| Former BERJAYA members and activists (anonymous interviews) .....                      | 2003       |

**POLITIK FEDERALISME, KE-ETNIKAN DAN PEMBANGUNAN NEGERI DI  
MALAYSIA: SATU KAJIAN KES KERAJAAN BERJAYA DI NEGERI  
SABAH, 1976-1985**

**ABSTRAK**

Tesis ini adalah satu kajian ilmiah tentang perkembangan politik semasa Berjaya memegang tampuk pemerintahan di negeri Sabah, dari tahun 1976 -1985. Tesis ini bertujuan untuk memberi tumpuan kepada tema-tema yang dominan dalam bidang kajian sains sosial mengenai Sabah. Tema-tema ini khususnya berhubung-kait dengan isu-isu federalisme, ke-etnikan dan juga politik Pembangunan (developmentalisme). Secara amnya, tesis ini mencadangkan bahawa: Kemunculan suatu wacana politik Pembangunan dalam pemerintahan Berjaya berasal-usul dari kegagalan Berjaya untuk menyelaraskan isu-isu politik tempatan berikutan dengan tuntutan-tuntutan daripada pemerintahan Pusat yang berkedudukan lebih kuat. Kegagalan inilah yang menyebabkan Berjaya untuk mencari suatu strategi alternatif yang bertujuan untuk mengukuhkan sokongan dan juga kedudukan politiknya sendiri. Penubuhan parti Berjaya adalah hasil daripada sokongan Kerajaan Pusat dan perkembangan tersebut telah membolehkan satu proses pengelolaan dan juga perluasan kuasa Kerajaan Pusat dalam politik tempatan di Sabah. Namun begitu, Berjaya juga tidak terlepas dari kemelut politik yang sering menjadi isu pemerintahan Kerajaan Pusat, dan yang juga sering membatasi proses tersebut. Dalam konteks ini, pucuk Pimpinan Berjaya pun merujuk kepada politik Pembangunan atau developmentalisme sebagai satu wacana yang wajar untuk mengekalkan kedudukan politik Kerajaan Berjaya. Dasar-dasar Pembangunan kerajaan Berjaya sebahagian besarnya lebih berasaskan politik dalaman parti Berjaya, dan kebanyakan strategi-strategi Pembangunan lebih memenuhi kepentingan para pihak yang memberi sokongan kepada kerajaan Berjaya. Mereka ini terdiri daripada individu terpilih melalui jaringan penaung (patronage network), sistem ABC dan secara amnya dasar-dasar ini juga memberi lebih keutamaan bagi Pembangunan Islam di negeri

Sabah. Strategi developmentalisme ini memang berkesan dalam penggal pertama Kerajaan Berjaya berkuasa (1976-1985) kerana pembangunan ekonomi yang agak pesat di negeri Sabah pada masa itu. Namun begitu sejak kelembapan ekonomi negeri Sabah bermula pada tahun 1982, iaitu awal permulaan penggal kedua pemerintahan Berjaya, strategi tersebut telah menimbulkan isu-isu etnik dan justeru itu melemahkan sokongan politik bagi kerajaan Berjaya, terutamanya daripada golongan bumiputera bukan-Muslim. Walaupun kerajaan Berjaya mendapat sokongan Kerajaan Pusat yang kukuh dibawah pimpinan Mahathir, namun Kerajaan Berjaya gagal mendapat mandat untuk memerintah seterusnya. Kesimpulannya, percubaan untuk menghasilkan satu kerajaan negeri yang bersedia mematuhi segala tuntutan-tuntutan kerajaan Pusat melalui kerajaan Berjaya telah gagal kerana usaha tersebut tidak memberi perhatian terhadap dimensi isu-isu politik setempat di negeri Sabah.

# **THE POLITICS OF FEDERALISM, ETHNICITY AND DEVELOPMENT IN A MALAYSIAN STATE: A CASE STUDY OF THE BERJAYA GOVERNMENT IN SABAH, 1976-1985**

## **ABSTRACT**

This thesis is a study of the political development of the Malaysian state of Sabah under the administration of Parti Bersatu Rakyat Jelata Sabah (BERJAYA – Sabah People’s United Party), which controlled the state legislature between 1976 and 1985. It attempts to disentangle the three dominant themes within social scientific studies of Sabah: the issues of federalism, the politics of ethnicity, and the political economy of development. The broad argument that the thesis makes can be summarized thus: The emergence of a developmentalist discourse under the BERJAYA regime in Sabah can largely be traced to its failure to reconcile the localized ethnic politics of Sabah with the demands of a strong central state and thus the need to find an alternative strategy of political support and control. The formation of BERJAYA at the behest of the federal government, it is argued, began a process of rationalization and the extension of federal control over Sabah politics. Yet BERJAYA also became embroiled in the ongoing factional disputes on the federal level, limiting the impact of this process. In such a context, the BERJAYA leadership turned to developmentalism as its main legitimizing discourse. BERJAYA’s policies of development were considerably party-oriented and most of the strategies of economic development benefited primarily at those who supported the BERJAYA government both in terms of select individuals who benefited from patronage networks and in a broader perception of preferential treatment for Muslims. While this strategy proved effective while developmental growth was high during the first BERJAYA administration (1976-1981), the relative collapse of the state economy from 1982 onwards exposed its ethnic predilections and prefigured declining support for the regime, particularly among the non-Muslim bumiputera groups. Despite the consolidation of federal support for BERJAYA under the Mahathir administration, the

unravelling of the BERJAYA project was by this stage unstoppable. In the final analysis, the attempt to create a more compliant state administration under BERJAYA came undone precisely because it failed to take into account the localized dimension of politics in Sabah.

# CHAPTER ONE

## INTRODUCTION: FEDERALISM, ETHNICITY AND DEVELOPMENT

### 1.1 Introduction

This thesis addresses both empirical and theoretical questions. Empirically, it is a study of the political development of the Malaysian State of Sabah under the administration of *Parti Bersatu Rakyat Jelata Sabah* (BERJAYA – Sabah People’s United Party), which controlled the State legislature between 1976 and 1985. It seeks to fill something of an existing lacuna in serious academic scholarship on Sabah. While a number of scholars have analyzed both the preceding administration led by the United Sabah National Organization (USNO, 1967-1976) and the succeeding *Parti Bersatu Sabah* (PBS, Sabah United Party, 1985-1994) administration (e.g. Brown 2004; Kahin 1992; Luping 1994; Means 1968; Milne 1973; Milne and Ratnam 1974; Tilman 1976), considerably less work has been done on the BERJAYA administration itself. Such attention that has been paid to BERJAYA has tended to focus on the dramatic events surrounding its birth and rise to power in 1975-76 or else its sudden fall from grace in 1984-85 (Han 1979; Loh 1992; Ramanathan 1986; Tilman 1976). No significant work has focused on the style and nature of the BERJAYA administration, particularly in relation to the increasing centralization of Federal control over Sabah State government during the BERJAYA administration. Kitingan and William (1989) argue that there has been a gradual erosion of State powers and the shifting of political control from the state to the centre (Federal government) since Sabah participated into the Malaysian Federation. The erosion of State powers brings to light the political framework of the Malaysian Federation, particularly with regards to the degree of political autonomy that the Sabah state government expected to possess in relation to the federal government.

What ‘Malaysian Federation’ really is and whether it functions constitutionally as a federation shall not be the main focus of this thesis. Instead the thesis will look at the

political implications of the Malaysian Federation upon the politics in Sabah especially during the BERJAYA period. In studying BERJAYA the thesis attempts to identify the nature of political relations between the Federal government and Sabah State government and how the Federal government was able to gain increasing control over Sabah both administratively and politically. The thesis has identified three main themes, federalism, ethnicity and development, to exemplify how the Federal government was able to increase control over the politics in Sabah during the BERJAYA period. The issues of federalism would contextualize the political relations between the Federal government and Sabah State government within the dynamics of control. It has been noted that the inclusion of Sabah and other Borneo territories into the Malaysian Federation was instrumental to 'balancing' the ratio of indigenous population against the majority Chinese population in Singapore (Luping 1989:4).

However the ethnic population in Sabah was more complex than the demographic structure of West Malaysia. Unlike the communal politics of the Malays and non-Malays in West Malaysia, political affiliations in Sabah were not as clear cut. Ethnic heterogeneity in Sabah posed a limit to the Federal government's understanding and therefore control over politics in Sabah. In this context, the Federal government would prefer Muslim leaders like Mustapha and Harris because Islam was the nearest denomination to the ethnic category of Malay. Under Harris Islam gradually undermined the ethnic factor and simplified the Sabah population into Pribumi and non-Pribumi, which in essence translates to the broader categories of Muslim Bumiputera, non-Muslim Bumiputera and non Bumiputera. The politics of ethnicity therefore provides an insight into how the simplification of ethnicity facilitated the increased Federal presence in Sabah. This process however generated its own tensions, particularly for the BERJAYA government. In order to overcome such tensions, the BERJAYA government resorted to the 'developmentalist' approach to stay in power.

From this perspective, the thesis represents a case study of one particular period of administration in Sabah. The broad argument that the thesis makes can be

summarized thus: *The emergence of a developmentalist discourse under the BERJAYA regime in Sabah can largely be traced to its failure to reconcile the localized ethnic politics of Sabah with the demands of a strong central State and thus the need to find an alternative strategy of political support and control.* While this strategy proved effective while developmental growth was high during the first BERJAYA administration (1976-1981), the relative collapse of the Sabah state economy from 1982 onwards exposed its ethnic predilections and prefigured declining support for the regime, particularly among the non-Muslim Bumiputera groups. This argument is thus in broad agreement with the recent contributions of Francis Loh (2001; 2002), who has argued that a developmentalist discourse is increasingly usurping the politics of ethnicity at the national level in Malaysia. It also, however, provides a salutary warning that such developmentalist strategies are necessarily dependent upon the ability of the regime to provide visible evidence of such development, in the absence of which, ethnicized politics may rear its head again with remarkable rapidity.

This introductory chapter has three purposes. Firstly, section 1.1 identifies the research interest. Section 1.2 then contextualizes the research by situating it within a review of the academic literature of Sabah politics. The review identifies three major themes and two major lacunae, which this thesis seeks to fill. The themes are the issues of Federalism; the politics of ethnicity; and, development. The lacunae are the absence of a thorough historical analysis of the BERJAYA period; and, the failure to engage explicitly with the relationship between these three major thematic foci. Section 1.5 formulates research questions that address the issues raised by the literature review, describes the major sources and analytical framework employed.

## 1.2 Literature Review: Themes in Sabah Politics

### 1.2.1 Federalism

The study of Sabah politics usually demands an historical reference to its participation into the Malaysian Federation in 1963, and its subsequent political development within the institutional framework of a Federal system. Malaysia is constitutionally a Federal democracy. While the latter term in that pair has gained considerable attention both by domestic and international scholars (e.g. Case 1996; Crouch 1996; Khoo 1997; von Vorys 1975; Zakaria 1989; Loh & Khoo 2002), scholarly research on the Federal aspect of Malaysia politics has been scant. The un-interrupted incumbency of the Alliance/*Barisan Nasional* (BN, National Front) coalition at the national level and its dominance of most State legislatures – only Kelantan State can claim more than ten years of opposition administration – is widely seen as having undermined any important political role for the Federal system. For Shafruddin (1987), Federalism in West Malaysia is most significant as a venue for intra-coalition politics. Such Federal crises that have emerged – such as in Sarawak in 1965 and Kelantan in 1978 – were quickly and often harshly dealt with by the central government (Barraclough 1985, Chin 1997). This low estimation of the efficacy of the Federal system in Malaysia is reflected in the international comparative literature on Federalism, which tends to characterize Malaysia as an 'asymmetrical federation' (Requejo 2001) or even, along with India and Russia, and as 'quasi-Federal', where 'the sub national units have limited autonomy: their very existence depends on the restraint of the central government' (Cameron and Falleti 2005). Increasingly, however, Malaysian scholars are arguing that while the Federal structure of Malaysia has had relatively little effect on national politics until now, it remains a potential source of conflict, particularly as fiscal centralization has added to 'regional frustrations and tensions' (Jomo and Wee 2002: 1).

In any case, the forgoing line of argument tends to focus on the West Malaysian States that formed the original Malayan Federation (1957-1963). It often appears forgotten, for instance, that tensions over Federal-State relations were the primary reason behind the ejection of Singapore from the federation in 1965 – an ejection perhaps unique among all the world's Federal countries (Milne 1966). The politics of Federalism in East Malaysia has also been considerably more pronounced. Indeed, concerns over the subordinate role that States might play in the federation and the loss of status for the Sultan saw Brunei pull out of the proposed merger almost literally at the 11<sup>th</sup> hour. The remaining two States of East Malaysia – Sabah and Sarawak – were able to negotiate significant extra powers *vis-à-vis* the West Malaysian States, including internal control over immigration, and at least 10 years exemption from the requirements that Islam and Bahasa Malaysia be, respectively, the official religion and the official language.

Federalism and Federal-State relations have thus attracted more interest in the context of East Malaysia. Lim for instance, argues that the formation of Malaysia initially brought about a 'looser federation' but that the advances of the central government over the ensuing decades brought 'the Malayan model of politics' to Sabah and Sarawak (Lim 1997: 25 & 52). This theme of the increasing 'Malayanization' of Sabah politics runs through both scholarly and journalistic accounts (Brown 2004; Lim 2004; Loh 1997; Sabihah 1992). Understandably then, the focus of much attention has been the PBS administrations in Sabah, which represented the greatest challenge to this process. The PBS has been the party that has most consistently and most vigorously campaigned for greater decentralization of power in Malaysia. Even the *Parti Islam seMalaysia* (PAS), which has managed to retain greater control over State administrations than the PBS, has been less vociferous on this issue – perhaps because its goals have always been fundamentally national, whereas the PBS is

essentially a regional party.<sup>1</sup> Scholars have thus broadly argued that the emergence and quick ascent to power of the PBS in 1985 was as a result of a wave of Kadazan-Dusun disillusionment with the BERJAYA administration, while its demise in 1994 was driven largely by the somewhat Machiavellian interference of the central government, combined with extravagant promises of development (e.g. Kahin 1992; Loh 1992; Loh 1997). More recently, however, it has been argued that while this analysis remains broadly valid, the rise and demise of the PBS was nonetheless indicative of a kind of 'bottomline Federalism' (Brown 2005) on two accounts. Firstly, the evident strength of the anti-BERJAYA backlash that brought the PBS to power forced the Federal regime into a reluctant acceptance and brief accommodation with the new party, rather than employing its apparently preferred strategies of cooptation or coercive ejection of troublesome State administrations. Secondly, following the ouster of the PBS in 1994, the Federal government and the now compliant State administration have had to deliver upon the development promises made.

The PBS period was clearly of interest in terms of the development of Federal-State relations in Sabah. Yet this emphasis on the PBS as a *challenge* to the process of 'Malayanization' can only provide limited understanding of the process itself. Loh (2005) suggests the use of 'strongmen' analysis in understanding Federal-State relations in Sabah politics. He argues that Sabah's relatively weak political institution encouraged the emergence of 'strongmen politics' with the likes of Mustapha and Harris, but their political roles, particularly Harris, were subsequently undermined by the increasing process of federalisation in Sabah. The 'strongmen' analysis gives a useful insight into the role of agents in context of Federal-State relations. However further analysis into the political party system is long overdue in order to gain a deeper

---

<sup>1</sup> In 1995, the PBS contested four seats in West Malaysia – three in Penang and one in Johor – but lost dismally in all. Federal-State relations have been an issue for PAS in so far as it accuses the central government of unfair treatment in the allocation of grants, particularly when the oil royalty for Terengganu was revoked following the PAS victory in 1999.

understanding of how increasing federalisation was made possible during the BERJAYA administration.

### 1.2.2 Ethnicity

In contrast to the subject of Federalism, Malaysia's experiences of ethnicity and ethnic relations have been the subject of almost inexhaustible scholarly interest, both domestically and internationally. Particularly in the post-1969 period, Malaysia's experience of managing a multiethnic society without significant conflict has attracted the broad approval of many scholars of sociology, politics and development alike. Classic political theorists of the challenges of ethnicity such as Lijphart (1977) and Horowitz (1985) have held up Malaysia's form of restricted consociationalism as, if not a perfect form of government, at least a good example of inclusion and redistribution. Although the effectiveness of the New Economic Policy redistribution has been questioned (Bowie 1994; Jomo 1990; Khoo 2004; Maznah 2004), few scholars would doubt that Malaysia's experience has been relatively peaceful. As Horowitz (1989) notes, at the moment of independence, many analysts believed that Ceylon (now Sri Lanka) would be relatively untroubled by its ethnic diversity, while Malaya was seen as facing a potentially violent future. The reverse has proven true.

Ethnicity in Sabah is considerably more fragmented than in West Malaysia, without a single dominant group that has strong hegemonic claims to be the 'masters' of Sabah in the same way that the Malays claim sovereignty (*ketuanan Melayu*) over Malaya in particular. The ethnic make-up in Sarawak is equally heterogeneous and Jayum (1991) contends that the 'ethnic factor' plays a significant role in determining the 'bargaining' strengths of the political parties found in Sarawak. The emphasis on the 'ethnic factor' alone has the tendency to undermine the roles of other variables like political actors and institutions in understanding the political development in Sabah. It is therefore important to include the Federal factor in understanding how policies of Islamization affected ethnic politics in Sabah since the formation of Malaysia. Indeed, the very inclusion of Sabah (and Sarawak) in the extended federation is widely

interpreted as an act of ethnic 'balancing' (e.g. Milne and Ratnam 1974: 19). With the British pushing Malaya to incorporate Chinese-dominated Singapore, the inclusion of the East Malaysian States was seen by the elites in Kuala Lumpur as a necessary counterbalance to restore the numerical dominance of the *Bumiputera* indigenous groups. As Tilman (1963) commented at the time of Malaysia's formation:

It was frankly and candidly admitted by most government officials that Singapore could not be brought into any constitutional arrangement unless the large Chinese population could be offset by the simultaneous absorption of at least an equal number of Malays and other indigenous peoples.

(Tilman 1963: 903)

Studies of the politics of ethnicity in Sabah since the formation of Malaysia have focused on the position of the Kadazan-Dusun and have highlighted three linked ambiguities. Firstly, they have examined the ethnic and religious diversity of the groups often labelled together as Kadazan, Dusun or Kadazan-Dusun – this terminological confusion itself is evidence of the problem – and have analyzed how far and why 'Kadazan nationalism' has historically been able to unite these groups (Loh 1992; Reid 1997; Roff 1969). Here it is argued that both episodes of relative unity – around the time of the formation of Malaysia and around the end of the BERJAYA period – have been a response to a common threat to the perceived interests of most of the Kadazan-Dusun people. Symptomatic of and catalytic in these nationalist epiphanies was the installation of, Donald Stephens and later Joseph Pairin Kitingan, as the *Huguan Siou* (paramount leader) of the Kadazan-Dusun people (Loh 1992: 249). Yet fragmentation quickly followed on both occasions. In the first case, Donald Stephens' conversion to Islam and his exhortation to other Kadazan-Dusun to follow suit diminished the symbol of unity that he held for many Kadazan-Dusun. In the latter case, it has been argued that Pairin's hegemonic position within the community was undermined by a deliberate 'divide and rule' strategy on the part of the BN, which simultaneously supported a range of different leaders and parties to 'represent' the Kadazan-Dusun community in the 1990s (Brown 2004).

The second ambiguity identified in the literature relating to the Kadazan-Dusun pertains to their position within Sabah and, more broadly, within Malaysia as a whole. For most of the early analysts of Sabah and its position within Malaysia, 'communal sentiment' posited the greatest challenge to the 'new nation' (Milne and Ratnam 1974: 61). They thus posited a kind of trade-off between the development benefits that membership of the Malaysian Federation was expected to bring against the ethnicization of politics, arguing that while in the long run development should undermine ethnic politics, the short-run risk from ethnic politics remained. The 1967 elections were thus probably the most ethnicized in Sabah's history, with the results falling almost exactly along ethnic lines (Milne and Ratnam 1969). The failure of the Kadazan-based United Pasokmomugan Kadazan Organization (UPKO) to defeat the coalition of the Muslim-based USNO and the Sabah Chinese Association (SCA), it is generally argued (Reid 1997; Roff 1974), prefigured a collapse in Kadazan nationalism, epitomized by Donald Stephens' conversion to Islam, 'seemingly accepting the argument of [USNO president] Mustapha that the Bumiputera of Malaysia should unite behind Malay and Muslim leadership' (Reid 1997: 129). Yet the reawakening of Kadazan nationalism on a number of occasions since has demonstrated that the relationship between development and ethnic politics was not a linear one. Indeed, as Loh (1992) argues of the Kadazan-Dusun resurgence that brought the PBS to power in 1985, it was the benefits of development that brought about the emergence of an educated Kadazan-Dusun intelligentsia, which in turn led the political revolt against BERJAYA and the concomitant cultural revivalism.

### **1.2.3 Development**

As already noted, a number of early appraisal of the Malaysia project envisaged great development benefits for Sabah (and Sarawak) through their participation in the federation (e.g. Milne and Ratnam 1974; Tilman 1963). Subsequent academic literature on the development of Sabah has tended to focus on economic performance of the State in relatively narrow terms (e.g. Gudgeon 1981; Hairi Abdullah et al. 1986;

Kaur 1998; Pang 1988). In these works, a relative coherent and consistent story is told of strong growth in the early years of independence, boosted by the discovery of oil in the early 1970s, but which started to flounder in the early 1980s. Two main factors are generally identified for this slowdown – firstly, the lack of a sizeable pool of human resources in the State; secondly, the failure to diversify the economy beyond its core primary industries. Thus, for instance, Pang (1988: 139) opines that ‘the lack of manpower both on the skilled and unskilled levels is the most severe drag to the State’s economic growth... The most effective method of solving the problem is to spur the growth of the industrial and services sectors’.

Until recently, however, few works have attempted to situate Sabah’s economic development within the broader structures of the political economy of a Federal State. This stands in marked contrast to the neighbouring State of Sarawak, where a substantial literature has emerged on the political economy of resource extraction and development (e.g. King 1988; King 1993; Majid Cooke 1999). Wee’s (1995; cf. Jomo and Wee 2002) comparative study of Sabah and Sarawak focussed on the State economies’ position within the Federal system, arguing that the expectation identified above that East Malaysia would benefit from incorporation into the Malaysian economy has proved unfounded. Thus, she concludes, ‘Sabah and Sarawak are slowly losing their favoured position in the federation’ (Wee 1995: 144). Recent works by Sutton (2001) and Sadiq (2005) have also paid attention to the political economy of international migration into Sabah, noting how it has served a dual purpose both of filling the manpower gap, while simultaneously contributing to the demographic transformation of the State. Yet a focus on the broad political economy of the State and, in particular, the politics of patronage, is still absent from the literature. This is all the more important as it has significant links with the politics of ethnicity. Shortly after independence, Milne (1973) argued that while the formation of Malaysia had not eradicated patron-client ties in Sabah, the ethnic constellation of party politics had prevented patronage politics reaching the level seen in the neighbouring Philippines.

No academic work has examined whether this assessment endured beyond Milne's timeframe, and one of the objectives of this thesis will thus be to provide such an analysis of the political economy of the BERJAYA period.

### 1.3 Research Questions and Methodology

The research questions this thesis seeks to answer are:

1. How did Federal-State relations in Sabah change during the BERJAYA administration?
2. How did the change in Federal-State relations affect intra-coalition politics within the BN?
3. To what extent did federalism affect BERJAYA'S 'multiracial' outlook in its development policies and strategies?
4. Based on the assessment of the issues of federalism, politics of ethnicity and development, can we better understand the role of BERJAYA in Sabah politics?

Methodologically, the research takes the form of a single case study within the broad framework of comparative politics. The single case study is an established and accepted method within comparative politics, in which the researcher provides a detailed, often exploratory, analysis of a single case that both addresses theoretical issues and provides a potential comparator for future research by the same researcher or others. As Tellis (1997) notes, the case study method is particularly relevant where 'when a holistic, in-depth investigation is needed' – all the more so in cases such as this, where existing empirical research is relatively scarce. Within the schema established by Stake (1995), this thesis would thus constitute an *intrinsic exploratory case study* – a case study that is both of intrinsic interest to the researcher, and that explores theoretical issues related to the case in question. As suggested in the literature review, the intrinsic interest in this thesis relates to the absence of any significant study of the BERJAYA period, while the theoretical and exploratory interest relates to the thematic interlinkages identified. The main primary data sources

employed are an extensive media review; selected interviews with key informants; and, statistical data from government publications. As far as possible, these sources have been triangulated to ensure accuracy of interpretation.

#### **1.4 Organization of the Thesis**

The organization of the thesis is as follows. Chapters two and three provide the historical and analytical background, focusing on political development in Sabah in, respectively, the pre- and post-Independence periods. Chapter two traces the emergence of an administrative State under chartered company and later British crown rule, arguing that the both colonial regimes sought direct involvement of indigenous groups in government only when politically necessary, and even then only in the most minimal manner. This resulted in a political culture on the eve of independence which was reliant on individual representatives of each ethnic group as the primary means of political representation. Thus, in Sabah, no equivalent of the peninsular-based United Malays National Organization emerged as an *organizational* force for local interests; political parties were, rather, vehicles for individual ethnic leaders. Chapter three then analysis how this combined with the uncertain 'rules of the game' in the early years of independence, when Sabah's position within Malaysia and relationship with the Federal government was not firmly settled, to produce a period of unstable and idiosyncratic politics, characterised more by competing personalities and individual patronage than concrete policy objectives.

Chapters four through six then provide a thematic analysis of the BERJAYA State governments, taking in turn the issues of Federalism, ethnicity and development. These chapters broadly argue that the BERJAYA period saw the emergence of a more sophisticated State administration, but one that was heavily dependent upon and compliant to Federal designs. Moreover, the persistence of the politics of patronage increasingly undermined the modernizing efforts of the BERJAYA governments. Despite its promise of a new 'multiracialism' in Sabah politics, the BERJAYA government thus increasingly resorted to a kind of developmental Islamization as the only means of

reconciling its quest for a strong political base with the demands of its relationship with the Federal government and the need to outflank the more vehemently pro-Muslim opposition in the State. Finally, chapter seven ties the arguments together and offer some conclusions.

## **CHAPTER TWO SABAH BEFORE MALAYSIA**

### **2.1 Introduction**

This chapter sets the historical context for the main body of the thesis with a re-examination of period of State formation in Sabah prior to independence, drawing mainly on the existing literature. The history of North Borneo is usually linked with the advent of the British North Borneo Company (BNBC) in 1881. Local historians like Ongkili once described North Borneo before 1881 as an entity with 'no community, no overall administration, no State economy, no State government [existed]; only mountains, jungles, rivers and the surrounding seas, and isolated villages scattered over the more than 29,000 square miles of tropical and warm equatorial land' (Ongkili 1981: xxvii). This Statement suggests that no social or cultural forms of life existed before the BNBC. The lack of organized documentation on pre-1881 North Borneo could be the major explanation to it. However this chapter will demonstrate that certain forms of socio-political organizations existed before the advent of the British North Borneo Company. In fact, these unstructured forms of socio-cultural existence were the basis for the BNBC in establishing control over the resources of the territory. The BNBC formed an important part of the history of Sabah because of its role in the historical formation of the administrative system in Sabah.

The first section discusses the imposition of the colonial administration upon the traditional structures of authority and its impacts upon the social relations of the indigenous society in Sabah. The introduction of a Western bureaucracy into the Brunei-Sulu Sultanate brought about significant changes within the existing power structures of the old system. As the power structures of the Sultanates weakened the BNBC was in a better position to consolidate its power and introduced certain modernizing structures of administration in the territory. These changes however, did not appeal to the indigenous population and a number of protests and violent rebellions

emerged, notably the Mat Salleh Revolt of 1895-1903 and the Rundum Rebellion of 1900-1915.

After these revolts, the BNBC began to institute a system of native administration with the aim of establishing a consultative body of Native Chiefs to facilitate an effective dialogue between the BNBC and the leaders of the various districts in North Borneo until 1941. After the Japanese Occupation, post-war reconstruction was beyond the resources of the BNBC; North Borneo and Labuan were thus ceded to the British Crown in 1946. Under the British Crown, Sabah was grouped with Brunei and Sarawak to form the British North Borneo Territories, whereby the appointed Governor of the Territories came under the jurisdiction of the Commissioner-General for Southeast Asia based in Malaya. The administrative reforms during this period were moving towards the formation of a political State which undertook planned economic development and the provision for better social services to raise the general standards of living of the population in North Borneo.

## **2.2 The *Jajahan* system of the Brunei Sultanate**

This section examines the historical development of a modern administrative structure in relation to the changes that occurred within the old ruling establishments of the Brunei-Sulu Sultanate. The *Jajahan* system of the Brunei Sultanate in the West coast and the *Datu* system of the Sulu Sultanate on the East coast of Sabah were the earliest forms of governing structures existed before the BNBC takeover. These political structures were established along the coastal plains but the interior regions in Sabah remained outside from their control. Rivers were the main means of communication and transportation between the interior regions and the coastal areas. They thus became important sources of earnings for those who were able to control the rivers.

In the sixteenth century, the Brunei Empire devised a unique administrative system by dividing and allocating its dependencies (*Jajahan*) that were territorially defined according to the valley of each river (*sungai*) or a major tributary forming the geographical core (Ranjit Singh 2000: 65). Each dependency (*Jajahan*) was

administered by agents sent from Brunei or by local entrusted chiefs responsible for taxation and the implementation of policies and edicts they received from the Sultan.

The administrative structure of every *Jajahan* was quite similar to the ministry of the Brunei Sultanate at the centre. The appointed positions were hierarchical and linked to the power structure with the Brunei Sultanate. The imposition of the *Jajahan* system upon the independent village system of the native Kadazan-Dusun communities inevitably resulted in the assimilation of the Kadazan-Dusun social organizations into the wider structure of the Brunei establishment. Although the basic structure and functions of the village head and the village council were retained, the Kadazan-Dusun communities were subject to taxation, justice and trade imposed by the Brunei authorities.

### **2.3 The *Datu* System of the Sulu Sultanate**

In the late 18<sup>th</sup> century the North Western areas of the Brunei *Jajahan* came under the threat of the Sulu Sultanate. In the 1780s, the Sulu Sultanate was able to expand its territorial conquest in Borneo through maritime trading and piracy aided by the Illanun (Iranun) and powerful Tausug *Datu* (Warren 2002:37). With the help from the Suluk, Bajau and the Illanun the Sulu Sultanate was able to undermine Brunei's political influence beginning from the Marudu Bay in the north and gradually moving to the south until Kimanis Bay. The destruction of the coastal areas of the Brunei *Jajahan* encouraged large scale migration of the people from the Southern Philippines to set up settlements under the Sulu patronage. Some of these Suluk, Bajau and Illanun were reputed slave-raiders and maritime traders who gradually settled with the Brunei and Kadazan-Dusun communities.

The settlement of the Suluk, Bajau and Illanun in many *Jajahan* areas transformed the political establishments of the affected areas. The previous order was disrupted and the powerful *Datu* (lords) from the migrant communities began to exert their powers upon the existing *Jajahan* communities. These *Datu* usually came from aristocratic background and possessed their own powerful political bases which were

scattered over the Sulu Archipelago and the North Eastern areas of Sabah. Unlike the Brunei *Jajahan* system, Warren (2002:27) notes that there were more than 30 sultanates in the Mindanao-Sulu region, whereby ethnic groups like the Tausug, Maguindanao, Iranun-Marano, Samal, and even the Europeans were constantly engaged in political rivalry and territorial conquests. The various leaders of these ethnic groups like the *Maharajah*, *Panglima*, and *Datu* developed their power bases by recruiting more followers, owning more slaves, and acquiring more territories for themselves (Warren 2002:166). Maritime slave trading and ownership by powerful *Datu* provided important revenue and labour resources to the overall social and political development the Sulu Sultanate (Warren 2002). These *Datu* were not tied down by the officialdom of hierarchy, in fact the Sulu Sultanate was quite dependent on their slave raiding and maritime activities for its territorial expansion. These *Datu* were therefore very independent and managed their own settlements as long as they obliged the decree from the Sultan and contributed some of their earnings to the Sulu Sultanate.

Some of these powerful *Datu* began to invade the Brunei *Jajahan* areas and in some cases they were appointed as *Jajahan* head chiefs by independent Brunei overlords. The appointment of these *Datu* into the *Jajahan* administrative structure was less successful due to three reasons. Firstly, in the *Datu* system power was diffused among the Sultan and the aristocratic *Datu*. The Sulu Sultan was the symbol of religious and political head; however in practice the Sultan's position was sustained by the alliances forged with the wealthy and the powerful *Datu* (Ranjit Singh 2000: 100). The administrative positions of head chiefs in the *Jajahan* system were unsuitable for these *Datu* who were politically ambitious and economically independent. Secondly, the slave-raiding and trading activities by some of these *Datu* disrupted the peace and order which the *Jajahan* system aimed to achieve. Thirdly, ethnic tensions and distrusts arose between the local communities and the migrants particularly towards the slave raiding *Datu*. The Brunei-Sulu systems failed to provide security under their rule which unavoidably caused the system to disintegrate.

## 2.4 The Overbeck-Dent Association and the Early Residents

The Overbeck and Dent Association (ODA) came to North Borneo in the late 1870s when the Brunei-Sulu Sultanates faced political threats from the domestic and the international scene.<sup>2</sup> Against this background of political uncertainties the ODA was able to secure the North Borneo concessions from the Brunei and the Sulu Sultanates. The ODA negotiated the rights to govern North Borneo independently in exchange for annual payments of \$15,000 (straits dollars) to the Brunei Sultan and \$5,000 to the Sulu Sultan (Tregonning 1965: 14). The Acting Consul-General for Borneo at the time, William Treacher, oversaw the treaty which proscribed the sale of the North Borneo lease without the consent of the British government. This proscription was the main reason leading to the application for a Royal Charter, which set the stage for the establishment of the British North Borneo Company.

The ODA employed three pioneering Englishmen to set up a basic system of administration and to make the newly acquired territory safe for commerce. William Pryer was the first Resident of the East Coast stationed in Sandakan, and the West Coast was administered by William Pretyman the Resident at Tempasuk in the north, with H.L Leicester as an Assistant Resident at Papar in the south (Ranjit Singh 2000: 118). These Residents were required to nurture friendly relations with the local chiefs and to introduce changes with due respect to the existing customs of the indigenous people. On legal matters these Residents were advised to consult with the local chiefs and land alienation was prohibited unless it was resolved equitably (Tregonning 1954: 36). These two important aspects provided the scope within which the administrative structure took shape and expanded according to the speed of modernization that was taking place in the territory.

On the East Coast, Pryer faced the challenges of headstrong *Datu* who no longer had links with the waning Sulu Sultanate. General lawlessness prevailed on the

---

<sup>2</sup> The Brunei Sultanate was facing the expansionist policies of the White Rajah from Sarawak, and the Sulu Sultanate was attacked by the Spanish and Dutch.

coastal plains and this was exacerbated by the problems of slavery. In cultivating the confidence of the *Datu*, Pryer gave proper recognition to their traditional roles by appointing and delegating government roles to them. A further step in broadening the scope of administration was the inclusion of these *Datu* in dispensing justice in a native court established for petty offences. By incorporating these local chiefs into his administration, Pryer was successful in managing the tense relations among the *Datu* and was therefore able to restore peace in the region (Black 1968).

The administration at Tempasuk on the North West Coast faced a similar hostility from the Bajau communities. The collapse of the *Jajahan* system rendered the place unwelcoming, and the presence of Pretyman brought hope to some but also suspicions to others. Pretyman had to forge an alliance with those who supported him which meant that he had to use the inter-ethnic rivalry to shore up his position. In persuading the Brunei *pengiran* (head of a *Jajahan*) and the Illanun *Datu* to support Pretyman, the Bajau *Datu* was less likely to oppose the Resident. His efforts opened the way for the wider participation of local chiefs from various ethnic groups in the administration, whereby Pretyman would oblige the presence of a few native chiefs as assistant judges in the administration of justice. Through wider participation, the longstanding hostilities between the Bajau and the Kadazan-Dusun communities were resolved and trade was resumed through a weekly *tamu*<sup>3</sup> started in the Residency. Despite the confident prediction of one Bajau chief that the Dusun had 'never paid, and will never pay taxes', Pretyman was also able to induce the Dusun to pay taxes, apparently willingly (quoted in Black 1968: 179).

The Assistant Resident, H.L Leicester, only had a short stint in Papar because he failed to develop good relations with the local chiefs. He was then replaced by A.H. Everett who became the Resident at Papar, overseeing the whole administration of the

---

<sup>3</sup> The *tamu* is a weekly market which provided a formalized means of exchange, and became popular since the 1860s in western Sabah. These *tamu* became an important site of peace between warring ethnic groups. A stone would be erected and oaths undertaken by the respective chiefs promising to regulate the behaviour of their followers according to certain rules and regulations. The *tamu* is still being practiced until the present day (Ranjit Singh 2000: 75).

West Coast including Tempasuk.<sup>4</sup> Everett also faced the mounting problems of crime and local resistance in Papar but managed to overcome these problems by delegating official duties to the local chiefs under his administration. The local resistance to Everett was slightly more organized than the other areas because some of the local chiefs were able to procure arms from Labuan. However their only deterrent was the fear that the British military would retaliate with an even greater force. The fear of British reprisal was the only thing that saved Everett from the fierce local resistance because the reinforcement which he ordered never came.

The waning influence of the Brunei-Sulu Sultanates generated a sense of liberation for some but also posed problems to other local chiefs. Those local chiefs who had the wealth and power to protect their own territories or *tulin* were more likely to survive the disintegration of the Sultanates. However those local chiefs who only held appointed positions in the *Jajahan* tended to falter in the face of expansionist moves by the independent chiefs or *Datu*. The introduction of a resident style of administration redefined their roles as powerful local chiefs. By virtue of their positions, they became the first persons to establish official relations with the western Residents. Quite apart from receiving official edicts from their respective Sultanates, these local chiefs directly interacted with the Resident and to a considerable extent actively participated in the running of the administration.

The introduction of a western administrative system added a modern element of social organization into the workings of the indigenous society. These European Residents became prominent social figures in a society subject to two kingdoms that were institutionally detached from the lives of the people. The Residents were responsible for introducing a more participatory model of administration into a society that was detached from the direct rule of the Sultanates. Both the *Jajahan* system in the West and the *Datu* system in the East coast of Sabah showed that the leadership

---

<sup>4</sup> Pretyman left Tempasuk after a couple of years due to ill health, leaving Captain Wittl in charge of the local administration in Tempasuk.

structure among the native chiefs differed in relation to the power structure of the two Sultanates. The *Datu* system seemed to cultivate relatively more independent local chiefs than the *Jajahan* system although the latter seemed more stable as an administrative structure. Under the Resident system, the previous order became subject to the assertiveness of these Residents and the whole administrative function was characterised by 'highly personalized rule with little coordination or centralization' (Ranjit Singh 2000: 129).

The highly personalized style of the Residency system was to some extent agreeable with the leadership style of the local chiefs. However the Residency system was limited to the coastal plains of Sabah and did not extend to the interior regions due to the shortage of staff and the limited resources of the ODA. When the British North Borneo Company replaced the ODA, the Residency system was initially maintained but the administrative apparatus was being expanded further into the interior region. This expansion demanded increasing the number of posts and personnel. The sudden replacement of existing Residents like Everett by G.L Davies for instance, inevitably disrupted the personal relations that had been cultivated and this disruption also created suspicions among local chiefs regarding the inconsistent nature of leadership showed by the new administration.

## **2.5 The British North Borneo BNBC 1881-1941**

The BNBC was formed in 1881 and from 1882 administered the territory of North Borneo until the end of 1941, when the Japanese occupation ended Company rule. The Company was dissolved in 1953. Under the BNBC the territory was administered by a Governor, a nominated Legislative Council and a Civil Service, but the final seat of authority was the Court of Directors of the Company, which sat in London. The Company, under the Charter, was the Government of the territory and had to maintain a civil administration. But the Company was mindful of its shareholders and promoted the territory as a money-making enterprise for prospective investors. Because of the need to protect the financial interests of the shareholders, the BNBC tended to focus on

the process of legislating rules and regulations for trade and commerce as the basis for its administration in North Borneo. Hence it was imperative that cost of running the administrative functions of the BNBC remained low.

The BNBC operated differently from the other chartered companies such as the East India Company, the Royal Niger (1886-1900) and British South African (1889-1923). For the BNBC, the 'overriding question... was how to rule cheaply' (William 1981: 3). The first governor, W.H Treacher thus claimed that the development of the territory was best left to private capital, and the role of the Company was to establish suitable conditions for these enterprises to flourish (Kahin 1947: 51). The BNBC set out to achieve two important objectives. The first objective was the provision of stable conditions agreeable for foreign trade and investments. This involved improving infrastructural facilities, and expanding the administrative framework of the existing Residency system. The second objective pertained to the Company's guidelines on the treatment of the indigenous people in the territory. In principle the Royal Charter stipulated that the Company was required to protect the property and personal rights of the native and was prohibited from interfering with local religions and all beliefs (Ranjit Singh 2000: 142). However the policy of protecting native property rights was secondary to the requirements of protecting the interests of the private capitalists.

The Residency system included Assistant Residents and District Officers. However the administrative structure was quite loose and lacked the consideration for the separate roles of the executive and the judicial functions of the administration. These problems were complicated by the prevailing socio-political conditions in the territory, and contributed to the Company's substantial financial drain in the process of acquiring the remaining *tulin* or rivers which were still governed by independent Brunei *pengiran*. In order to stem further financial losses Treacher began to alienate large tracts of lands at very low price in order to attract foreign investors and planters into North Borneo. The Land Regulation of 1883 offered lots of 100 acres and above for a 999 year lease upon the payment of a premium of \$1 per acre, free of quit rent (Ranjit

Singh 2000: 147). The wholesale commercialization of land was unprecedented and to a considerable extent this practice did not conform to the traditional norms of some of the local population. The concerns with such practices were articulated by the members of the Native Chiefs' Advisory Council when it was established after the native revolts at the turn of the century.

Financial issue aside, the Company also faced serious labour problems due to the scarce population in North Borneo. The earliest census in 1887 estimated about 150,000 people in North Borneo (Ranjit Singh 2000). However the labour problems in the territory were further complicated by the institution of slavery. Slavery was prevalent along the coastal areas of North Borneo, and Pryer related his experience on the issue regarding the difficulty of getting people to work for him. 'They offered to work if I would buy them but to work for wages was then looked down upon as much more degrading than being a slave' (quoted in Tregonning 1953: 26). The idea of wage labour was still an alien concept in North Borneo and this prompted Treacher to encourage Chinese immigration to overcome the labour shortage in Sabah. In 1891 Treacher declared that 'the experience in the Straits Settlements, the Malay Peninsula and Sarawak has shown that the people to cause rapid financial progress in Malayan countries are the hard-working, money-loving Chinese, and these are the peoples whom the Company should lay themselves out to attract to Borneo. Once we get them to voluntarily migrate, the financial success of the Company would, in my opinion, be secured' (quoted in Kahin 1947: 57).

Besides overcoming labour shortage, the Company was also interested in the Chinese-run opium farming trade as these became important sources of taxation revenue for the Company. The Company's revenue from opium amounted to over half-a-million (straits) dollars, out of a total revenue of about three and half million (Singh 2000: 151). The simple economy of the territory was transformed into a capitalist mode of production through the acquisition of land and the introduction of wage labour into the traditional society of North Borneo. The Company therefore played a vital role in

making North Borneo a commercial entity and this, in turn, affected the way in which the administrative structure took shape.

The process of opening up the territory marked the beginning of the intrusion on the property and personal rights of the indigenous people. The personalized relations that existed between the Residents and the local chiefs gradually eroded as a result of the Company's policies on land tenure, labour and the acquisition of rivers (*tulin*). The gradual breakdown of the relations between indigenous chiefs and the European officers was imminent. In the context of different administrative arrangements and the varying status of chiefs under the *Jajahan* system in the West coast and the *Datu* system in the East coast, many chiefs remained relatively independent in areas where the Company's presence was minimal. The BNBC tried to solve these problems by issuing the Village Administration Proclamation of 1891 (amended 1893). It was hoped that this Proclamation could regulate the existing institutions of indigenous authority in the territory.<sup>5</sup> The proclamation legitimized some indigenous leaders but also sidelined quite a number of independent chiefs who were opposed to the Company's policies.

The Company's administration depended considerably upon the Resident's knowledge of local politics. Because of financial constraints and the lack of trained legal officers these Residents and Assistant Residents had to run the administration and to resolve issues of legal concern as well. At the top level the Company's policy on representing the interests of Western investors prevailed. A Consultative council was set up in 1885 which consisted of the Governor, the Residents, the Heads of Department, and an unofficial, W.G. Darby, of the China Borneo Company (Singh 2000: 164). This council aimed to coordinate the activities of the major traders in North Borneo with those of the Company administration. No attempt was made to encourage native representation despite instructions from the Court of Directors in London. On

---

<sup>5</sup> 'No headman or chief who has not been expressly authorized to act as a headman under this Proclamation either by warrant from the Governor or by written permit from the chief district officers shall be deemed to have been appointed under this Proclamation or be entitled to exercise any of the powers conferred on headmen by this Proclamation.' (Singh 2000: 159)