

The Economic Transition of the Indigenous Communities in North Borneo: Capitalism and Economic Change, 1881-1941

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Abstract: It is generally consented that the marginalisation of the indigenous communities of North Borneo in the economic transformation is a repercussion of the economic change under capitalism. This economic change was manifested by the changing orientation from subsistence to commercialism, the expansive penetration of money economy and the amelioration of internal development. The main objective here is to investigate the historical circumstances relating to the marginalisation of the indigenous economy in North Borneo in 1881-1941. The methodology employed is based on a historical interpretation derived from content analysis of views found in existing historical writings and selected archival documents. This research finding emphasises the importance of indigenous communities adapting to commercialism and a money economy in their economic affairs during the transition from self-sufficiency to commercialism. This led to the conclusion that the lack of such adaptation and late exposure to the money economy were the causes of the indigenous communities' slow pace of economic progress under capitalism compared to the Chinese immigrant community. The contribution of this research includes the historical analysis that may be beneficial for policy makers to improve the economy of the existing indigenous communities.

Abstrak: Secara umum disepakati bahwa marginalisasi masyarakat pribumi Borneo Utara dalam transformasi ekonomi merupakan dampak dari perubahan ekonomi di bawah kapitalisme. Perubahan ekonomi ini tampak pada pergeseran orientasi dari ekonomi subsisten ke komersialisme, meluasnya penetrasi ekonomi uang, serta meningkatnya pembangunan internal. Tujuan utama kajian ini adalah menelaah kondisi historis yang berkaitan dengan marginalisasi ekonomi pribumi di Borneo Utara pada tahun 1881–1941. Metode yang digunakan adalah interpretasi historis berdasarkan analisis isi terhadap pandangan dalam karya-karya sejarah yang ada serta dokumen arsip terpilih. Temuan penelitian ini menegaskan pentingnya kemampuan masyarakat pribumi beradaptasi dengan komersialisme dan ekonomi uang dalam kegiatan ekonomi mereka selama masa peralihan dari swasembada menuju komersialisme. Kajian ini menyimpulkan bahwa kurangnya adaptasi tersebut dan keterlambatan dalam mengenal ekonomi uang menjadi penyebab lambatnya kemajuan ekonomi masyarakat pribumi di bawah kapitalisme dibandingkan dengan komunitas imigran Tionghoa. Kontribusi penelitian ini berupa analisis historis yang dapat bermanfaat bagi para pembuat kebijakan dalam meningkatkan perekonomian masyarakat pribumi saat ini.

INTRODUCTION

North Borneo refers to the former official name of Sabah before 1963. Apart from the interregnum period of the Japanese occupation (1942-1945), it was governed under the administration of the British North Borneo Company (BNBC), which was sanctioned under the royal charter from the Queen of United Kingdom (1881-1946). It was then governed as a British colony in 1946 until it became independent as the state of Sabah in the Federation of Malaysia in 1963.

Generally, the advent of the BNBC rule is regarded as the period marking the beginning of the transformation to modern economy in North Borneo. This process



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of transformation refers to the promotion and expansion of internal economic development, as manifested by the large-scale opening up of the jungle land in the territory. Needless to say, the economic change associated with capitalism was prevalent through this process of transformation. Essentially, the fundamental change in the orientation from subsistence or self-sufficiency to commercialism in agriculture and plantation exhibited profound economic change under capitalism in this period. Accordingly, this also marked the evolution in the populations' daily economic activities with the penetration of money economy. In consequence, the indigenous economy that used to be highly dependent on the supplies of jungle products for external trade changed to internal economy based on inland economic development in forestry notably for timber production, the expansion of agriculture and the commercial plantation for export economy.

This paper focuses on the research problem on why the indigenous communities were still left far behind non-European immigrant communities, notably the Chinese during the economic transformation during 1881-1946. This is because most of the benefits of the overall economic progress associated with the export economy were enjoyed by Europeans and immigrant Chinese communities.

Thus, the significance of this particular subject of discussion lies in understanding the disadvantages faced by indigenous communities in adapting to a money economy as a result of the shift from subsistence to commercialism. This is so because the indigenous communities were quite late to be exposed to the money economy compared to the Europeans and the Chinese.

Most writings on the economic history of North Borneo mainly concentrate on the large-scale economic production to manifest the impact of the economic change during the BNBC rule. This phenomenon is certainly attributed to the presence of the Europeans mercantile and the Chinese immigrant communities due to their involvement in those large-scale economic activities. Undoubtedly, the flourishing internal economic development was mainly connected to export economy. Most economic sectors were related to forestry, with the extensive exploitation of timber, followed by the emergence of commercial plantations, the exploitation of mining resources, and the expansion of trade as a result of expansive economic productivity. This phenomenon was substantively revealed in the existing historical writings of the economic historians notably Tate (1979) and Amarjit Kaur (1994

and 1998).

Then, there is also a tendency among scholars to focus on Japanese immigrants in North Borneo during the colonial period. Although the Japanese population in North Borneo was considerably small, the significance of their presence and their contribution to the prosperity of North Borneo are fittingly highlighted. Fujio Hara (1993) has pointed out the significant contribution of Japanese labour immigrants to the mining sector. Moreover, the Japanese immigrants were acknowledged for their contributions and role in promoting the expansion of the export economy in North Borneo. In fact, there is also the impression that their presence was viewed as fundamental in terms of capital investment and waged labourers equivalent to the Chinese, especially in commercial plantations of rubber and oil palm (Sabihah Osman, 1998).

Thus, writings on the history of the indigenous economy of North Borneo during the colonial period are evidently scarce. The few that exist do not unveil the matter in an extensive manner. However, there is a sign that the subject of the North Borneo indigenous economy in historical perspective has attracted attentions from the local Sabahan historians. This dimension can be found in the writing by Dg. Junaidah and Baszley Bee (2022) who focus on the process of economic transition of the Bruneian Malays in the west coast of North Borneo. The study covers the duration of the years between 1881 and 1963. The existence of this particular writing can be regarded as significant considering that most of the local Sabahan historians tend to pursue their interests in focusing on political and social aspects of the indigenous communities. It is pointed out in this particular writing that the economic achievement of the Bruneian Malays was revealed to be more backward and left behind. They were considered to be less remarkable in comparison to not only the Chinese, but also of other indigenous ethnic groups such as Bajau and Dusun communities. It also suggests that one of the main reasons why the Bruneian Malay community had become less successful in terms of their achievement was due to their disadvantageous circumstances resulting from the change from the barter system to money economy during the BNBC period.

Hence, the purposes of this research are as follows: Firstly, to present a glimpse of economic change and the transition of indigenous communities in North Borneo under BNBC rule (1881-1941). Secondly, it is to construe the understanding of historical reality in terms of their economic disadvantages in adapting to the money economy. This

relates to the inevitable prevalence of economic transition associated with capitalism as a result of the process of transformation. Thirdly, it is to show that the economic stagnation of the indigenous communities in North Borneo was contributed to their disadvantages in exploring new avenues in economic activities associated with commercialism as they were quite late to be exposed to money economy compared to the Chinese, Japanese and Javanese immigrant communities in the nineteenth century. Consequently, this phenomenon became the constraints for their communal economic progress.

METHODS

The method employed in this paper is qualitative. It is based on historical presentation containing the interpretation on the subject of discussion. The presentation of historical interpretations in this article is constructed based on content analysis derived from the existing historical writings and complemented by facts depicted from selected archival documents as primary sources notably Colonial Office Report on North Borneo, British correspondence from the Colonial Office (CO1030/1 153) and the Dominion Office (DO35/6297) and the British North Borneo Herald newspaper. The historical interpretation for this research also incorporates the utilisation of reports written by British contemporaneous officials, notably F.N. Chasen, Curator of the Raffles Museum in Singapore in 1921, and D.D. Daly, Assistant-Resident in charge of Province Dent in 1888.

However, upon examining those colonial documents, it is found that the subject of the indigenous economy in North Borneo during the colonial period is very limited. This is because the economic aspect is largely concentrated on the export economy associated with a commercial orientation. European and Chinese communities largely dominated this sector. Accordingly, the recorded information on the indigenous economy in colonial documents is minimal and not substantive. The main primary sources on north Borneo are derived from Colonial Office Report on North Borneo that mostly contain governmental affairs and social development. Thus, the related data and information on the indigenous economy of North Borneo found in the primary sources are very marginal, scattered and repetitive. This makes the space for source-criticism quite restricted.

In this respect, the construction of historical information in this research relies on the utilisation of the primary sources that are mostly colonial ar-

chival documents. This is due to the circumstances that other alternative sources are absent. Based on the utilisation of the colonial archival documents, it certainly gave the impression that indigenous communities were economically backward and less productive compared to European and other immigrant communities. However, the information derived from the utilisation of these sources certainly provided an understanding of the constraints and difficulties faced by the indigenous communities during the process of economic change in the historical context of this period.

The construction of historical interpretation is centred on the issue of the impact of capitalism and its economic change in the indigenous communities in North Borneo under the BNBC rule. The construction of the historical interpretation of this subject matter is based on a general understanding of the key concepts to be applied to the historical circumstances surrounding the advent of capitalism in North Borneo in the late nineteenth and early twentieth centuries. This can be achieved by establishing the relevance of key concepts such as capitalism, economic change, money economy, subsistence versus commercialism, economic progress, and other related terms to the economic conditions of the indigenous communities during this period. Such historical interpretation is also based on multi-ethnic perspectives that reflect the realities of indigenous communities compared with other immigrant communities during this period. This dimension is essential to be used as a value judgement on the process of economic transition of the indigenous communities as a result of the economic change associated with capitalism.

RESULTS AND DISCUSSION

Economic Change in North Borneo and the Marginalization of Indigenous Economy

It can be identified that for the most part, the subject of the indigenous economy existed as a marginal subject in the economic history of North Borneo as reflected in the existing historical writings. Most views in historical writings tend to focus on the economic sectors associated with Europeans due to their significant role in promoting and contributing to the export economy. In general, the Europeans were regarded as the most powerful and the driving force in the economy of North Borneo. This is due to the fact that they not only became the civil servants but were also employed in large plantations and trading companies mostly connected to the headquarters in London. Under this circumstance, although the Europeans were small in number, they

managed to exercise control over a large proportion of the export economy. They became the biggest employers of labour in the territory (Colonial Office Report on North Borneo 1948, p.10).

It is also found that the Chinese immigrant community as the largest alien ethnic group in the territory evidently received major attention among historians because the Chinese immigrant community was recognised for their involvement and contribution in promoting the economic development of North Borneo. This can clearly be seen from their longstanding involvement in business and trade, through capital investment and relentless efforts in the commercial productivity of plantations, forestry, and mining. It was further discovered that, in many respects, the Chinese were regarded as more prominent than other immigrant ethnic groups. Indeed, their roles and involvement in the economic development of North Borneo were far more visible than those of the rest. In truth, even before the pre-colonial period and the arrival of the European mercantile community, the Chinese had become dominant in the economic affairs of North Borneo.

During this period, it was well known that the Chinese were directly responsible for the trade between North Borneo and China. This trade relationship would mostly involve jungle products, notably gutta-percha, beeswax, camphor, and edible bird's nests, on the east coast of North Borneo (Warren, 1981).

Subsequently, during the colonial period, the prominence of the Chinese can be seen in their roles and involvement in the business sector as entrepreneurs and in the employment sector as waged labourers. As entrepreneurs, most of them established business enterprises in local market places and acted as the middlemen for the indigenous communities. As labourers, they were highly visible because they were the main source of waged and indentured labourers, especially in towns, mining, and plantation sectors in North Borneo during the late nineteenth and the first half of the twentieth centuries (Wong, 1999; Lowrie, 2020).

In the existing historical writings, there is a tendency to give the impression that the indigenous economy during the pre-colonial period was relatively not so backward. According to Ranjit Singh (1984), there is evidence that in the 1860s and 1870s, there was a gradual spread of periodic markets known as '*tamu*'. It provided avenues for formalised, peaceful exchange and transactions in the western coastal region of North Borneo. It appears that internal business activities among the indigenous communities existed even before 1881, the

year the BNBC rule commenced. In this respect, the existence and expansion of such periodic markets provided the foundation for the transition from a pre-modern to a modern economy. Under these circumstances, the pre-modern economy was associated with the extensive use of the barter system (Wasino & Hartatik, 2017). In contrast, the modern economy was characterised by the gradual penetration of the money economy into business exchange among indigenous communities, notably the Dusuns, Bajaus, Muruts, Bruneian Malays, and so on.

In addition, there is a general view that the pre-colonial indigenous economy in North Borneo was more prosperous than during the colonial period. This is due to the circumstances that they were able to enjoy the benefit of the surplus revenue derived from the jungle products found in abundance in the inland areas. This is because they were able to exercise a certain degree of control over those jungle products that were valuable and considered luxurious goods in regional and world commerce (Wasino et al., 2019). However, the situation changed during the colonial period when timber emerged as the main commercial product. This particular sector was subjected to European and Chinese domination while the indigenous communities were only able to enjoy a marginal proportion of the product (Cleary, 1996).

Thus, it can be construed that from a comparative perspective, the pre-colonial economic prosperity of North Borneo was possibly equal to that of the Malay Peninsula. This is based on a similar phenomenon in both territories with reference to the existence of the *tamu* market in the west coast of North Borneo and localised trading centres in Terengganu and Kelantan in the 19th century (Drabble, 2000). This view appears to imply that the economic achievement of the indigenous economy declined due to the economic change during the BNBC rule. It appears that this view can be found in the case of the economic transition of the Bruneian Malay community during the BNBC rule (Dg. Junaidah & Baszley Bee, 2022). According to this particular piece of writing, the economic progress of the Bruneian Malays was retarded by the enforcement of money using the currency issued by the BNBC. Under this circumstance, it is claimed that the Bruneian Malay traders had lost the advantage as a result of the change from the barter system to money economy.

However, this view is subjected to obscurity considering the fact that the Bruneian Malays were actually more advanced than the Dusuns and the

Bajaus in money economy in the past. Since the Bruneian Malays had long been more correspondingly involved in trade and business activities than other indigenous communities, it can be observed that they used to be more exposed to money economy than the rest of the indigenous communities in North Borneo. Beside the barter system, the Bruneians had long been involved in external trade and internal business activities that used money as medium in transactions (Sweeney, 1968). In fact, it is also revealed in this writing that the Bruneian Malay business community had played a major role in promoting and mobilising the expansion of the *tamu* market in the west coast of North Borneo during the BNBC rule towards the end of the nineteenth and early twentieth centuries as well as the and during the Crown colonial rule after the second world war (Dg. Junaidah & Baszley Bee, 2022).

Certainly, the above statement that the Bruneian Malays practised business as subsistence is questionable. They found that the Bruneian Malays practised business in order to sustain their life. However, this may not be quite accurate since business is attached to the distribution and disposal of surplus in economic activities that does not correspond to subsistence. In essence, subsistence is mostly referred to traditional agriculture that does not contain the element of surplus through business activities. Even in the case of the barter system in subsistence/self-sufficiency, the exchange of products was not meant for the practice of business that implies any surplus or profit from such transaction (Wasino et al., 2025). In essence, the concept of subsistence can only be applied should transactions comply directly to mutual exchange between the first and second parties on voluntary basis. Once such transaction involves a third party, it has become a business transaction that incurs profit making, which meant a transaction that is clearly the exchange of surplus (Scott, 1976; Boone, 2002; Aza Reena Idros et al., 2024). It is evident that the Bruneian Malays who were involved in mobilising the *tamu* market acted as the third party. In fact, the *tamu* market itself did not conform to subsistence simply because it was meant as a marketplace.

The Indigenous Communities and the Realisation of Economic Change

The word 'indigenous communities' here refers to the natives of Borneo (Toru Ueda, 2006). These indigenous communities are divided into the non-Muslim ethnic groups represented by Dusun, Kadazan, Murut and Rungus; and Muslim ethnic groups of Bajau, Bruneian Malays, Iranun, Idahan,

Bisaya and Tidong (Abdullah, 2022; Siti Aidah et al., 2022).

It is fundamental to note that immigrant communities had significantly outpaced the indigenous communities of North Borneo in economic progress during this period. In fact, this predicament is still considered to be relevant in the current context.

It is a common perception to associate such situation with colonial legacy. This economic change is the effect brought about by the transitional process that shaped the economic practice and orientation in accordance with European capitalism as a result of the advent of British imperialism in North Borneo. The word 'transition' here denotes the gradual change rather than a rapid process. The extent of the changes in the economic aspects of the indigenous communities as a whole was predominantly gradual.

The period of economic transition from traditional to modern orientation in North Borneo can be particularly regarded to be between 1881, with the establishment of BNBC, and 1941, before the Japanese occupation during the World War II. During this period, the economic transition from subsistence to commercial orientation was considered to be less eminent by the indigenous communities. In fact, they would prefer to remain practising their traditional ways. There was no indication that they would fully depart from the barter system as a means of transaction. Their participation in the changing economic pattern and orientation in capitalism and commercialism was much to be desired. Conversely, the non-European immigrant communities, notably the Chinese, were substantially more progressive and dynamic because of their economic dominance. They had consistently been so even until North Borneo became independent as the state of Sabah in the Federation of Malaysia in 1963. They had always been able to adapt themselves to the demand of economic change. The immigrant communities who had adapted themselves to money economy flourished with the economic change associated with capitalism.

By definition, capitalism is an economic system in which the means of production and distribution are privately owned and prices are chiefly determined by open competition in a free market. In the developing world, economic change under capitalism was ascertained in the transformation structure from subsistence to commercialism. In addition, the means of transaction in the form of money increased in the economic affairs among the whole members of the societies in the territories (Kocka,

2016; Banaji, 2020). In other words, the existing economic sectors, notably agriculture and plantation, were remoulded to suit the emerging new market. This process of transformation was inevitably the result of the penetration and expansion of the European business and trade into the developing world. With the advent of capitalism, the practice of specialisation and large-scale economy in agriculture and plantations, together with the expansion of the money economy across society, were bound to change the existing economic orientation (Federico, 2014).

When it comes to the indigenous communities of North Borneo in late nineteenth and first half of the twentieth centuries, they were seen to be less dynamic in responding to the changing economic orientation compared to the immigrant Chinese. They were relatively slow and were mostly seen to be lagging far behind because they were inept to adapt to the transformation towards capitalism. This economic transition highly depended on the ability to not only embrace the change, but also to be willing to switch from external economic to internal economic dimensions.

Basically, the external economic dimension refers to the exploitation of jungle products for external markets, whereas the internal economic dimension refers to the opening up of the jungle for large-scale commercial agriculture. Since agriculture was the centre of most economic activities in the developing world, the spread of capitalism into those regions can be classified as agrarian capitalism (Wood, 2002). However, this is not the case in North Borneo. Commercial agriculture was almost non-existent among indigenous communities because agrarian capitalism did not exist during this period. The closest mass cultivation could hardly accommodate the local market, what more to cater for the world market.

During the pre-capitalist era, the external economy was typically associated with mercantilism. This refers to trade activities for the supply of exotic collectables that were customarily appreciated as luxurious produce for external market. In North Borneo, the indigenous communities conducted all transactions using the barter system. Therefore, most of the transfer of products from the interior to the external market was conducted by the middlemen (Jeyamalar Kathirithamby-Wells, 1993). These middlemen were mostly Chinese petty entrepreneurs (The British North Borneo Herald, 1894).

The traditional business transactions of the indigenous communities in North Borneo were

conducted strictly through the barter system. They would exchange jungle products for other necessities provided by the Chinese middlemen. These jungle products were not given any monetary value. The Chinese middlemen, who could be considered as petty-entrepreneurs would dispose of the jungle products to the traders in the external market. Hence, it is evident that these middlemen had been exposed to money economy even during the pre-capitalist era.

With the emerging need to provide the world with condiments, industrial crops and staple foods, it was fundamental to develop the internal economic dimension, financed under capitalism to promote and accelerate agricultural activities and commercial plantation. To this end, the apparent transition from pre-modern to modern trade led to an extensive association with export economy that entailed money transactions in multiple currencies (Eichengreen, 2008).

As a consequence of capitalism in the late 19th and early 20th centuries, the underpinning idea of economic transformation and manifestation of economic change were mainly associated with the transformation from subsistence to commercialism. To be specific, this phenomenon correlate with money economy (See, 2004; Austin, 2014). On this point, compared with indigenous communities, the Chinese had greater involvement in the money economy in agricultural commercialisation, or agrarian capitalism, especially through revenue farms. In essence, revenue farm was a concession granted to the Chinese entrepreneurs (towkays) by the ruling authorities to run the economic activities that contained the production of farming commodities, and to monopolise the business activities of pawnbroking, the supplies of opium and spirits, the licencing of gambling within the designate area (Trocki, 1999). By extension, they were even more involved in urban economic growth. They began by becoming waged labourers. From here, services rendered in non-monetary form were materialised into money output. These wages would later convert from income to capital formation, thereby facilitating access to the urban cash nexus and entrepreneurship (Butcher & Dick, 1993).

In the meantime, the indigenous communities simply maintained their village economy that existed only as local centres of commerce. They were mostly still highly dependent on the Chinese middlemen and petty businessmen. Even though a certain degree of money transactions did exist, the gradual departure from the barter system was very slow. It was conceivable that the penetration of

money economy into the indigenous communities was slow mainly because the barter system was evidently still dominant in traditional business activities. Such was the case that could be gathered from the periodic market popularly known as *tamu*. *Tamu* began to be famous from the late nineteenth century (Ranjit Singh, 1984). This is because this prominent market had actually served as a place for fishermen and farmers to barter their products. Here, both parties had the opportunity to mutually complement each other. Hence, the need for money as a medium of transaction was non-essential at that time and money could just be considered as a third virtual party.

Nevertheless, the constant, exorbitant profit-taking by middlemen in these exchanges and transactions through the barter system had greatly disadvantaged the indigenous communities. The phrase 'buying cheap and selling dear' would sufficiently describe the scenario between the middlemen and the indigenous communities. It was customary for the former to barter products of a lesser value than the products bartered by the latter. A common example is the barter of the jungle products, notably the valuable birds' nest. The indigenous communities did not even consume this particular commodity. Its values were actually associated with consumption in China for medical purposes (Piper, 1988). Customarily, this substance is usually used as the main ingredient in the form of bird's nest soup (Mann, 2008: 4).

These birds' nest would be sold by the middlemen to the external market at a high profit. On such grounds, the exchange and transaction of such product with the indigenous communities would have been better to be valued in money. This is so to prevent the manipulation of 'buying cheap' by the middlemen. Nevertheless, as the economy changed, the barter system gradually became less prevalent. Eventually, by the end of the nineteenth century, these birds' nest began to be subjected to money value. This is due to the BNBC's measure to impose controls on collection and trade activities. In 1884, the BNBC government had imposed rental concession of 9000 dollars per annum on the bird's nests caves in the area of Gomantong Caves. This was due to the fact that the collection of the substance was valued for 25000 dollars per annum (Daly, 1888, p.2).

Thus, as a result of the imposition of monetary transactions in this activity, it could be construed that the indigenous communities could enjoy a larger share of surplus income than under the barter system. One of the main factors that paved the

way for the increase of money transaction of the commodity was due to the promulgation of the Bird's Nests Ordinance in 1914. This ordinance intended to regulate the collection and the operation of bird's nests found at Gomantong Cave within the communal village areas of the Orang Sungai in the district of Kinabatangan. It was stated in this ordinance that all existing bird's nests caves were gazetted as the properties of the government. However, should newly discovered bird's nest areas be found, they would be recognised as private properties. Under these circumstances, the areas gazetted as government properties were awarded to contractors with the condition that they had to pay five per cent royalty of the collected bird's nests to the government. In contrast, ten per cent royalty was imposed on the bird's nests collected from the gazetted private properties. This means that all transactions on these edible bird's nests must be converted into money value (Ordinance XII 1914). Hence, these birds' nest has turned into a very profitable industry in North Borneo even to this day (Francis, 1987). Beside Gomantong Cave, the edible bird's nests can also be found in preserved as a communal-based economy among the ethnic Idahan at Gua Madai, in the district of Kunak (Mohamed Yusoff Ismail, 1999)

The Economic Stagnation and the Question of Communal Economic Progress

It can be observed that the degree of economic progress from the pre-colonial period to the reigning years of BNBC remained comparatively slow. Even into the early 1950s, it is stated in the Colonial Office record of North Borneo that the indigenous economy was still confined to agriculture, fishing, and the collection of jungle products. The Dusun community was considered the most stable rural ethnic group and a prosperous agricultural people, as they were the main producers of rice in the territory. The Bajaus were mostly involved in fishing in the east coast and rice cultivation in Kota Belud. Other notable ethnic communities were the Bruneian Malays who were mostly seafarers and fishermen; the Kedayans were the farmers; and Muruts were still practising shifting cultivation, dependent on the collection of jungle produce and temporary waged labour in the rubber estates in Tenom (Colonial Office Report on North Borneo 1951, p.12 -13).

In order to improve the economic condition of the indigenous peasants, their non-monetary resources need to be converted into monetary returns. Traditionally, the labour force for economic

activities was mainly drawn from personal or family members. This mainly involved agricultural activities. In essence, it was only the basic family workforce that can be translated into human capital.

In order for the indigenous communities to pursue economic progress, the way forward was to switch their orientation of their economic activities to commercialism and money economy. During the early period of the BNBC rule, commercial plantation was estimated to be the most suitable activity for the indigenous communities. Since land in North Borneo was available in abundance, it was objectively sound. Be as it may, the absence of capital investment had restricted them from pursuing to adapt themselves to commercialism and money economy.

Moreover, even if funding was available for the purpose, the success of the scheme was elusive. On the whole, economic progress could be achieved not only through persistent hard work per se but also through a frugal lifestyle. From an economic perspective, the indigenous communities essentially needed to realise that they also had to embrace the concept and practice of a money economy. This meant that they were required to engage themselves in activities that could generate significant income and profit. In addition, they also had to be willing to take calculated risks and be prepared to face failures and losses until eventually they would obtain profit.

This general view can commonly be perceived in the immigrant communities because they had been exposed to money economy even before the advent of capitalism. In reality, it is customary to generate losses at the initial stage of an economic activity. In most investments, it is crucial to have a strong determination to continue the operation until profit is gained. In order to make the money work to achieve the accumulation of wealth, undoubtedly there is a great need for the fundamental knowledge and skill in handling money. Only then can the expansion and sustainability of economic progress can occur (Sombart, 2001). In the initial stage of the capitalist era, the indigenous communities, largely composed of peasants, were not well equipped with such knowledge. The knowledge in money-economy is very essential in commercial and business transactions even in the case of agricultural production. This is simply because the agricultural sector, per se, is also connected to business transactions that have been transformed from a barter system to monetary exchanges during the advent of capitalism.

Another prospect for the indigenous communities to adapt themselves to commercial orienta-

tion could have been pursued through waged labour. Under the capitalist orientation, waged labour was perceived as the means of converting non-monetary value into monetary value. Despite having such an opportunity, the majority of indigenous communities were not keen on being engaged as waged labourers in commercial plantations or mines. Most of them would not be willing to be disintegrated from their village-communal life. Hence, this created an opportunity for the Chinese and Javanese to work as coolies, particularly at the tobacco plantations in North Borneo. It could be observed that the indigenous community labourers in commercial plantations were primarily employed in rubber plantations. Even so, between indigenous and immigrant labourers, especially the Javanese, the latter were found to dominate large-scale rubber estates. At the same time, the former were mostly confined to smallholders (Colonial Office Report on North Borneo 1949, p.57).

Another constrain that can be seen to overshadow the economic progress of the indigenous communities was the government policy in general. Neither the BNBC nor the British colonial authorities provided sufficient incentives to help indigenous communities pursue economic progress. Most indigenous peasants were confined to less profitable cultivation, notably paddy (rice) cultivation (DO35/6297, no 92 20 July 1960). Even into the 1950s, the Murut community still practised shifting cultivation as well as collecting jungle products. In fact, in order to face the uncertain prospect of rubber price in the 1950s, new crops such as cocoa and oil palm were promoted with governmental assistance under the diversification programme of the plantation sector (CO1030/1 153, no 3 30 Dec 1960). However, this development still provided greater benefit to the European and immigrant mercantile communities because the assistance and incentives offered included only land concessions for Europeans and immigrant labour recruitment (Amarjit Kaur, 1998).

The Indigenous Community and the Question of Economic Prospect

This article is based on the premise that individuals, in particular, and the community in general who were exposed to or accustomed to the money economy during pre-capitalism had an advantage over those less exposed to this phenomenon. During pre-capitalism era, the practice of money economy was mostly attributed to mercantilism and trade. Consequently, the extent to which indigenous communities faced economic change during this period de-

pended heavily on their ability to adapt to capitalism, characterised by a commercial orientation and the increasing penetration of the money economy into economic transactions (Sombart, 2001; Vaggi & Groenewegen, 2006).

This premise can also be applied to the Javanese peasants who were exposed to money economy under the Cultivation System (1830-1870). Although similar pattern can also be found among other immigrant communities especially the Javanese, compared to the Chinese, their achievements were less impressive. Nevertheless, in the nineteenth century, it was discovered that the Javanese were among the earliest indigenous communities who were exposed to mercantilism and capitalism in Southeast Asia. This can be seen from the existence of batik industry in Java since the seventeenth century. It is safe to assume that this element of mercantilism exists in the Javanese community, since they were subjected to the Dutch policy of the Cultivation System (1830-1870), which was also termed State Capitalism (Siregar, 2023).

In essence, it is conceivable that without the fundamental early exposure to the money economy, the indigenous communities in North Borneo were regrettably left far behind by other immigrant communities. Compared to other immigrant communities like the Javanese and the Chinese, the indigenous communities of North Borneo were set in the traditional ways of subsistence rather than commercialism. Therefore, such situation has rendered them to be less progressive in the economic development in the nineteenth century.

CONCLUSION

It is apparent that the economic transition of the indigenous communities in North Borneo under BNBC rule was slow and their economic progress was considered less remarkable compared with the immigrant communities, notably the Chinese and Javanese. This is mainly because they were marginally exposed to money economy during the pre-capitalist and capitalist eras. Undeniably, under capitalism, it was absolutely crucial to transition from subsistence or self-sufficiency to commercialism. This change in orientation came with the need for money economy and capital investments.

With that in mind, indigenous communities, in general, were at a disadvantage since they were less exposed to the money economy than immigrant communities. Naturally, they were subjected to an inferior position compared to the European and Chinese communities. Even when government assistance was made available, they were assigned to

less-profitable commodities, notably paddy cultivation. In fact, even up to the 1950s, they were still practising traditional shifting-cultivation and collecting jungle products as their communal occupation. Even after more than 7 decades, these two types of economic activities had not shown significant progress and still resembled the pre-capitalist pattern of economic framework.

Even though economic development could have been achieved through the conversion of non-monetary to monetary value by participating as waged labourers and through the utilisation and the opening up of jungle land for commercial plantation, it was also elusive to expect so because the indigenous communities were not ready to venture into anything that could be regarded as breaking away from the traditional ways. Hence, most of the labours utilised in commercial plantations were associated with the Chinese and Javanese.

As historical research, this article attempts to present the past to help improve the future. We are all well aware that the issue of economic stagnation among the indigenous communities is unending. Even with the government's attempt to channel financial assistance with the implementation of the New Economic Policy (NEP), followed by National Development Policy (NDP) to achieve 30 per cent of *bumiputera* equity ownership, the Malays and other indigenous communities are still regarded to be far behind the Chinese in terms of establishing business enterprises. Despite efforts made for the economic improvement of the Malays and other indigenous communities, we can still see these *padi* farmers and Federal and Development Authority (FELDA) settlers to be living in poverty with below average income and still needing financial assistance from the government.

Further studies on colonial rule will provide additional dimensions to inform the revision of government policies to promote and enhance the economy of the Malays and other indigenous communities as a whole, and enterprise in particular. Government financial assistance alone is not adequate in achieving these goals. Instead, considerations regarding the importance of inculcating entrepreneurial knowledge and skills among the Malays and other indigenous communities before granting them business capital are just as crucial. Entrepreneurial skills need to include the ability to assess financial risks in operating a business. In addition, it is essential to take into account the amount of work input and the frugality in business expenditure and personal consumption. Historically, it has been proven that with sufficient knowledge, skills

and determination, the Chinese, Arabs and Indian Muslims did manage to pursue their economic success even without government assistance during the colonial period. Therefore, the goal of a better life free from financial dependence for the Malays and other indigenous communities in Malaysia is attainable.

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