

THE NEGOTIATIONS FOR THE \$2,600,000 LOAN

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The Siamese-Kedah Loan Agreement of June 1905 brought about the much-needed financial relief to Kedah and an end to the traditional ties between the two signatories. While the financial relief has been well-publicised as the main consequence of the loan negotiations between Bangkok and Alor Setar, the end of traditional ties and its significance to the development of intra-regional relations have generally been overlooked. This may be because in appearance, at least, the close ties between Siam and Kedah continued as if nothing had changed the fundamental nature of their relations. It is obvious that the urging force behind Bangkok's willingness to accommodate its dependent's request for some financial assistance was Siam's concern over the internal affairs of Kedah, which had allowed the financial condition in that state to deteriorate unchecked, and caused, in its turn, other political complications, particularly those between Kedah and the British authorities in the Malay Peninsula. Siam was powerless to intervene in the internal affairs of Kedah which did not directly involve her interests. Yet the financial difficulties of the state, if no comprehensive relief and reform in both political and financial systems were soon to be introduced, would unavoidably involve Siam in a conflict with the British authority in the Straits Settlements. It was the desire to provide itself with a legitimate source of authority over the administration of Kedah that Bangkok both encouraged and accepted the latter's request for Siam to intervene and remedy the financial crisis threatening the stability of the state.

EVENTS LEADING TO THE FINANCIAL CRISIS IN THE 1900'S

Williamson, the Financial Adviser to the Siamese Government, reported on the eve of the negotiations for the loan agreement that the Sultan's debt stood at \$2,785,604 or about four times

the annual revenue of Kedah.¹ The financial woes of the state had become most serious and if no proper measures were immediately taken Kedah could lose its autonomy to Great Britain, which was the protector of most of the Sultan's creditors. The financial situation facing Kedah's administration by the early 1905 had its origin in the financial administration of the state and the personal inability of Sultan Abdul Hamid, particularly after the attack of an illness in the 1890s.

It is ironical, in retrospect, to realise that by the close of the 19th century Kedah was admired by its contemporaries as a model of traditional Malay administration wherein the Ruler was endowed with supreme authority in all aspects of the administration. This supreme authority was only indirectly tempered by the regard for tradition, custom and a desire to keep the common people, the precious manpower, within the boundary of the state. There was no separation or distinction between official and personal aspects of the Ruler. Here in fact lies the weakness of traditional administrative system not only in Kedah alone but also in other parts of the region. Such weakness became glaring in the changing world of 19th century Southeast Asia.

For Kedah, even with a capable and well-intending ruler, such as Sultan Abdul Hamid in the 1880s, at its helm, its financial affairs was often experiencing difficulties. For instance, between the years 1882-1885 there occurred a cattle epidemic that resulted in a huge loss of livestock in the state to the degree that "state revenue was drastically reduced [and] for many months a large number of civil servants were not paid their salaries".² Judging from the fact that the cattle revenue, including pigs, poultry, and eggs, was not a big income-earner of the state, it says a great deal as to the weakness of Kedah's financial administration in coping with unexpected revenue reductions.³ It is clear that the manage-

¹KK 0301.1.34/5 the Loan of \$2,600,000 to Kedah and Report of the Financial Adviser in connection therewith, April 6, 1905. (1) Memorandum of the Adviser, Williamson on the Kedah Affairs.

²R 5 M2.12K/1-8, Anuraksa-yotha to Samuha Kalahom, Saturday of the 2nd. waxing moon, the 4th month, J.S. 1247/1885, and an enclosure of the letter from Sultan Abdul Hamid to Anuraksa-yotha, High Commissioner of the Western Seaboard, 7 Jamadil-awal, A.H.1303.

³In 1900, the main income earners were listed as opium and candu, rice and padi, gambling, customs, spirits, tobacco, respectively. See Sharom Ahmat, *Kedah, Tradition and Change in a Malay State: A Study of the Economic and Political Development 1878-1923*, monograph no.12, MBRAS, K.L., 1984, p. 30.

ment of finance which distinguished no difference between official and personal income and expenditure of the Ruler was one of the leading causes of the financial troubles Kedah experienced throughout the reign of Sultan Abdul Hamid (1882-1947). This traditional weakness worsened because of the unlimited authority exercised by the Sultan who was mentally incapable of coming to grip with the consequences of his damaging acts. Up to 1890, Kedah managed to introduce various short-term measures to redress or check its financial decline. For example, in 1888 in order to offset the reduced revenue of the state, Sultan Abdul Hamid decided to cut the monthly allowance of his two paternal uncles, Tengku Dhiauddin and Tengku Yusof. Again in 1892, it applied for a small loan of \$100,000 from Bangkok to ease the financial hardship of the state.⁵

It can be said that prior to the illness of Sultan Abdul Hamid, Kedah had been able to avoid major financial crises. However, around 1895-6 there were reports and confirmation of the Sultan's serious illness that prevented him from performing rationally his official responsibility.⁶ Within three years it was reported that Sultan Abdul Hamid had been victim of a 'general neurosis' disease which caused "a serious and permanent loss of mental power and incapacitated him from the performance of business."⁷ Though throughout the period of his illness the Sultan allowed his brother, the Raja Muda, to take care of the administration of the state, he still maintained his supreme authority, particularly in those concerning his own expenditure and revenue. The situation developed wherein the Sultan would sign away grants and financial privileges to whoever pleased his fancy at the time. The Ruler also indulged in his gambling habit. By September 1899, Prince Damrong was expressing his great concern over the administrative and financial development in Kedah. The Prince stated plainly that Kedah was heading for a financial disaster since its expenditures had reached an all-time high with enormous debts to so many of the state tax-farmers. While the local leaders tended to blame this bad turn of

⁴R 5 M 2.12K/1-8, Tengku Dhiauddin (Phraya Yutkarnkosol, the ex-Viceroy of Selangor) to Kalahom, Tuesday of the 7th waxing moon, the 6th month, J.S. 1250/1888, Tengku Dhiauddin's allowance was cut by \$130 to \$800, and Tengku Yusof's by \$66 to \$400 monthly.

⁵SPP/K/11 (509/67), Report of Phraya Thipkosa, the High Commissioner of the Western Seaboard to Mahatthal, 1892/3.

⁶R5M 44/1-19, Raja Muda to Mahatthal, October 28, R.S. 115/1896, which reported that the Sultan was ill because of some "paralysis disease".

⁷M 44/20-23, Dr. Brown's Memo submitted July 27, 1899.

fortune to Sultan Abdul Hamid's insatiable love for gambling, Damrong also noted that the Chinese commercial community saw the cause of the financial woes in the Raja Muda's decision to increase the salary of the government officials by 50%–60%.⁸

The temporary recovery of the Sultan, however, appeared to offer a hope for the return to the normal practice of state affairs. By July 1900, Phra Kosha-Ishak reported the resumption of office by the Ruler, and Prince Damrong expressed an optimistic opinion that the situation in the state would soon be back to normal, that is as it was before the illness of the Sultan. Such hope was dashed. Early in 1901, Raja Muda Abdul Aziz complained to Prince Damrong that Kedah's financial condition was deteriorating as the Ruler had not truly recovered his mental facility and still continued with his generous habit of giving away the state revenue and financial privileges without such reflection on the consequences. Damrong found the development so serious as to deserve his personal attention. The Prince submitted a request for permission from King Chulalongkorn to visit Kedah and assess the seriousness of the financial situation himself. The permission was granted in February 1901.⁹ Nonetheless nothing substantial was achieved from the trip of the Siamese minister of the Interior to Kedah. This was no surprise. The Siamese authority over Kedah did not permit the former to interfere directly in the internal affairs of the latter, especially when it did not involve Siam or threaten her legitimate position in that state. The most that Bangkok could do at this particular juncture was to exert discreetly its influence over the local leaders and persuade them to conform to the guidelines suggested by the Siamese authority. Siam's position in Kedah at this time was further complicated by the fact that even though her authority was recognised by the British since 1826, such authority could only be exercised indirectly for fear of causing friction within the Anglo-Siamese relations. This was most obvious by the close of the 19th century when the forward party gained control of both the Colonial and Foreign Offices in London. Despite the official recognition of the Siamese position in Kedah, the forward party in the Malay Peninsula still regarded with jealousy any development that might augment Siam's position and prestige in Kedah.

⁸M 44/1-19, Damrong to Sommot, September 29, R.S. 118/1899. On Sultan Hamid's gambling habit see also Sharom Ahmat, *op.cit.*, pp. 62-63.

⁹M 44/20-23, Damrong to Chulalongkorn, February, 1, R.S. 119/1901.

For example, as late as 1904, when it was known that Siam might introduce the Advisory system in Kedah as a means of solving Kedah's financial troubles, the British Governor of the Straits Settlements opposed strongly to the proposal as he thought this would definitely damage the British position and interests in the area.¹⁰ Bangkok was thus constrained in its measures to remedy the administrative and financial ills of Kedah. It was obvious that while Bangkok wished to bring back order speedily to Kedah, it had to tread carefully, lest it aroused too much negative response from the British in the Peninsula which in turn would jeopardize its position in Kedah.

THE NEGOTIATIONS TO SOLVE KEDAH'S FINANCIAL TROUBLES

One of the acceptable means which Siam could intervene to overcome Kedah's financial ills was for the local leaders themselves to seek Siam's assistance as the latter was the overlord of Kedah. The Siamese Under-Secretary of the Ministry of the Interior, Phraya Sri Sahadheb, met the Raja Muda in Penang sometime around the middle of 1902. From this meeting it was learned that,

the affairs in Kedah are at the lowest ebb. Chao Phraya Zai Sultan [Abdul Hamid's] mental state is most disturbed and confused. . . Whenever his mind wanders the Sultan often goes on a spending spree. The situation is so out of control that at times there remains no fund for the necessary state expenditure . . . [and] the debts keep piling up. It is the opinion of the Raja Muda that if the Siamese Government do not proffer assistance to overcome the present crisis in Kedah, the state is sure to encounter bankruptcy. . . (Both Phraya Sri Sahadheb and the Raja Muda agreed that) there should be a decree ordering Chao Phraya Zai to receive a proper treatment for a period of perhaps six months . . . so that he can really get better. In the absence of Chao Phraya Zai, certain measures could be introduced to remedy the situation and restore Kedah to Normalcy.¹¹

This unofficial request of the Raja Muda was soon followed by another. When Tengku Abdul Aziz met the High Commissioner of *monthon* Phuket three months later he again submitted a request for Bangkok to intervene and redress the financial hardship. Chulalongkorn, on being informed of the incident, was not

¹⁰CO 273/303 Anderson to CO, November 30, 1904.

¹¹R.5, T1/46-61, Phraya Sri Sahadheb's Memorandum, July 1, R.S. 121/1902.

willing to act at the time since Siam was still in the middle of bitter and difficult negotiations with London on the affairs of Kelantan and Trengganu.¹² The King indicated that Kedah's problem had to wait until the completion of the above negotiations. There was nothing else Kedah's leaders could do but to wait for a suitable time to re-submit their request for Siam's assistance to solve Kedah's problem.

Between 1902 and 1905, Bangkok apparently left Kedah to cope with the increasing financial hardships. The Sultan continued to do as he pleased and there was no domestic institutions that could legitimately challenge or curb his authority.¹³ Within a year, it became evident that Kedah had become bankrupt, the treasury was empty and the state revenue was pawned many years in advance. At the same time, there seemed to be no means to enable Kedah to honour its enormous debts. Even then, the Sultan refused to allow his expenditures curbed or his authority limited.

The last straw came in the form of the grand wedding celebrations for the Sultan's eldest son and the daughter of the Raja Muda in June 1904 which lasted three months. The extravaganza left Kedah financially paralysed. M.C. Jaroonsakdi Krisdagara, the representative of the Siamese Government to the royal wedding, submitted a comprehensive memo on the political and financial condition of Kedah as the Prince found it. Politically, the Prince stated, Kedah was divided into four cliques: the Sultan's, the Raja Muda's, Tengku Mahmud's, and the Tengku Bahadur-Syed Abdullah clique, all jockeying for the position in the administration of the state. There were also three brothers who acted as clerks to the Sultan, but exercised extensive authority over the running of the palace. They, in addition, exerted alarming influence over the mentally-ailing Sultan, that bore more negative effects on the affairs of the state. Because of the rivalry among the four cliques and the unhealthy situation at the palace, nothing positive was undertaken to alleviate the inertia within the government and among the state officials.

Financially, Kedah was facing bankruptcy. The Sultan was left to exercise full authority in the financial affairs. Apart from his habit of granting away state revenue and privileges to those hangers-on, Sultan Abdul Hamid also loved to spend grand sums of money for the comfort and luxuries of his large family.

¹² M 44/20-23, Rasdanupradit to Damrong, October 28, R.S. 121/1902.

¹³ For details of the financial troubles see Sharom Ahmat, *op.cit.*, chap. III.

According to this lengthy report, Kedah had obviously fallen into a socio-economic chaos and disorder. The Siamese representative recommended swift actions on the part of Bangkok, namely, a direct intervention into the internal affairs of the state and bring to an end the unhealthy situation precipitated by the mental inability of its Ruler. However, Prince Jaroonsakdi was also aware that such drastic steps would likely create more problems "if the British decline to support or accept [these moves]."¹⁴

It became clear then that Bangkok had to act before the financial collapse of Kedah could cause serious conflicts between Siam and Great Britain as the Sultan's main creditors were British-Asian subjects who could appeal to Singapore to intervene for the financial arrangements in the payment of loans. Even before receiving the Jaroonsakdi memo, Bangkok had decided to send Williams, the Financial Adviser, to Kedah to assess the seriousness of the financial ills of the state. In early April 1905, Williamson submitted two memoranda on the Kedah affair. In the first memorandum, the Financial Adviser concentrated on the enormity of the debt which stood around \$2,785,600, or four times the annual revenue of Kedah. The situation appeared most disheartening by the fact that

... [the whole accumulated debt] has been spent on objects of an unproductive nature, and what makes the matter worse is that the Raja (sic) appears to have been anticipating his revenue to some extent by obtaining advances from the monopoly farmers.¹⁵

Because of the seriousness of the situation, Williamson recommended that the Siamese Government only agreed to lend financial assistance if

... an arrangement can be come to with Kedah for the absolute control of the finances of the State by an officer appointed for that purpose by His Majesty the King.¹⁶

Williamson, nonetheless, realised that Kedah urgently needed Siam's assistance to meet its financial obligations otherwise it would cause a political danger to both Siam and Kedah. It is clear that Siam in fact had no alternative but to render assistance

¹⁴M 44/34-47, Prince Jaroonsakdi Krisdagara's Memo on the Wedding Celebrations in Kedah, May R.S. 123/1904.

¹⁵KK 0301.1.34/5, memo of the Adviser Williamson on Kedah Affairs, April 6, 1905.

¹⁶*Ibid.*

to her dependency as requested by the Raja Muda who came personally to Bangkok to plead Kedah's case.

It was reported in Williamson's second memo that Prince Damrong had informed Tengku Abdul Aziz that the loan to cover the needed sum would be approved on the condition that the Sultan agreed to

...the appointment of an European Financial Adviser by His Majesty the King, as well as the creation of a Council of not more than 5 members [of whom the Financial Advisor would be one] whose duty it would be to control the revenue and expenditure of the State.¹⁷

The Raja Muda's response was that the Sultan would object to such conditions. However, the Siamese authority was convinced that without the means to control the state revenue and expenditure and prevent the Sultan from having a free hand in the financial affairs of the state there would be no end to its present financial predicament.¹⁸ In the course of discussion that followed, the Raja Muda was assured that the authority of the Adviser would not be "dictatorial" since he would act in accordance with the general guidelines laid down by the Siamese Government. Nonetheless, the Adviser was empowered to disallow any expenditure not provided for in the annual budget which had earlier been approved by Bangkok. In such a case the Sultan would have to acquiesce the disallowals. Only special order from Bangkok could overrule the decision made by the Adviser. The authority of the Council was likewise discussed. It was suggested that the Council should in all matters concerning finance follow the advice of the Adviser. The Raja Muda took upon himself to persuade the Sultan to accept the terms negotiated.

By April, 24, 1905, Phraya Sri Sahadheb relayed the Siamese stand in the negotiations to the Financial Adviser so the latter could draft the proposed loan agreement. The terms included the following:

¹⁷KK 0301.1.34/5, Memo II of Adviser Williamson on Kedah Affairs, April 19, 1905.

¹⁸Williamson went so far as to say that the conditions were absolutely essential, and though,

"[it] would, no doubt, be a bitter pill for the Sultan to swallow, but beggars cannot be choosers, and as the financial condition of the State gradually improved . . . the Sultan and other members of the ruling class in Kedah would grow reconciled to the partial diminution of authority which the proposal would entail."

1/ The loan is to be guaranteed by all the revenue of the State of Kedah.

2/ No other loan is to be contracted until the present loan (Capital and Interests) is entirely repaid.

3/ In all matters concerning Finance the Sultan and his Council are to follow the advice of the Financial Adviser.¹⁹

On that very day, Damrong wrote to the Sultan explaining Siam's viewpoint on the latter's request for a loan through the Raja Muda. The Prince stated clearly that one of the main condition prompting the Siamese authority to agree to the loan was

...the importance of taking some measures to avoid the danger of foreign complications for the settlement of which His Majesty's Government will be responsible. Measures must therefore be taken . . . to prevent the recurrence of a condition similar to the condition which has created the necessity for the loan. . .²⁰

The Prince went on describing in detail the measures needed to be adopted for the remedy of the financial crisis in Kedah.

...His Majesty has decided that there should be a council appointed to assist Your Highness in the administration of the State. This council should consist of five persons. Four of these should be taken from the leading men of the State and should be appointed by Your Highness subject to ratification by His Majesty. The fifth should be a Financial Adviser to assist Your Highness and Your Highness's other advisers. . .His Majesty will see that a suitable person possessing all the necessary qualifications to act as Financial Adviser shall be sent to Kedah.

His Majesty is convinced that Your Highness will agree to these proposals, since there is no other measures practicable of relieving the State of Kedah from the very dangerous situation. . .As soon as His Majesty is informed by Your Highness that the measures of reform proposed will be taken, His Majesty's Government will agree to make to Your Highness the loan requested. The amount of the loan will be sufficient to cover the liabilities stated by Your Highness and the rate of interest will be 6%.²¹

¹⁹KK 0301.1. 34/5, Sri Sahadheb to Financial Adviser Williamson, April 24, 1905. See details of the Loan Agreement in the Appendix.

²⁰*Ibid.*, Damrong to Sultan of Kedah, April 24, 1905.

²¹*Ibid.*, Sultan of Kedah to Damrong, 19th of Rabi'ul Awal, A.H. 1323. The Sultan also fixed the amount of the loan at \$2,600,00 and authorised the Raja Muda to finalise the agreement with Bangkok.

As expected, Sultan Abdul Hamid agreed to comply with the stiff measures proposed as conditions for the loan. The Sultan further submitted requests which can be seen as a search for confirmation that these measures which curbed his absolute authority in Kedah were only temporary. The Sultan submitted,

I would beg Your Royal Highness to submit to His Majesty and to beg His Majesty to that when the loan has been repaired and satisfactorily settled to allow me to appoint as Financial Adviser one of my own officials to carry on the work, the appointment to subject to His Majesty's ratification . . . Nothing in this request can alter my past and present relations with His Majesty and you. . .²²

The Sultan further clarified his financial obligations in order to increase the sum requested. It appeared that the standing debts by the end of April was \$2,169,186.56, but this amount was now added by the sum of

\$130,813.44. . . needed by the Public Works Department and another sum of \$300,000. . . needed to enable me, my mother, and my other relatives to meet out personal debts.²³

The amount asked by Sultan added to the total sum of \$2,600,000. The loan agreed should specify this amount and the interest was 6% as Bangkok had proposed.

Bangkok was accomodating to both of the new requests added by the Sultan. Damrong stated in his correspondence with Sultan Abdul Hamid that, "since His Majesty's Government is desirous of meeting whenever is is possible, the wishes of Your Highness, I can inform you that this request of Your Highness is granted."²⁴ The Sultan's anxiety over the permanent encroachment of his power and prerogative was thus allayed by Prince

²² *Ibid.*, Damrong to Sultan of Kedah, June 21, R.S. 124/1905.

²³ *Ibid.*, Williamson to Damrong, July 31, 1905.

"So far the Sultan had not shown any cordiality towards me, nor has he has given expression to a single word of appreciation of the assistance being render to him by the Siamese Government . . . [however] I must say he has not been obstructive in any way . . . much though he may regret the necessity for acquiescing in the change."

²⁴ The main evidence for this paragraph comes from KK 0301.1.34/5, Edict of HH the Sultan of Kedah for the Constitution of a State Council, July 23, 1905; Williamson to Damrong, July 31, 1905; Williamson to Prince Mahisra, Minister of Finance, September 5, 1905; Williamson to Damrong, September 12, 1905; and Report of the Financial Adviser on the Financial Position of Kedah, September 1905.

Damrong's assurance. As there was no more hindrance to the concluding of the negotiations for the loan, the Loan Agreement of \$2,600,000 between Siam and Kedah was signed on June 16, 1905. The Raja Muda represented the Sultan and Prince Mahisara, the Finance Minister, represented the Siamese Government.

Everything then appeared settled. However, subtle jugglings for the control of the Council and the Sultan's resentment to the presence of the Siamese Financial Adviser affected the smooth introduction of the new order. Sultan Abdul Hamid's cool and distant treatment given to Williamson who was sent from Bangkok to execute the payment of the debts and to act as Kedah's Financial Adviser until the arrival of the appointed Adviser expected in September did not actually delay the implementation of the financial measures needed to end the crises.²⁵ Problems arose however over the selection and appointment of the Council members which caused much anxiety in Bangkok.²⁶

The Sultan first objected to the draft Edict for the setting up of a State Council which empowered the Council to appoint and dismiss the *penghulu* (headman) as an infringement of his royal prerogative. The Sultan's objection was so strong that both Williamson and Raja Muda Abdul Aziz decided to give in so that the proclamation of the State Council would not be delayed. The next hurdle was the Ruler's objection to the selection of Syed Mohamad Shahabuddin, the Auditor-General of the state, as a member of the Council. Sultan Abdul Hamid's dislike of his Auditor-General probably stemmed from the knowledge that the latter belonged to the "reform party" of the Raja Muda. To overcome this problem as well as to forestall further possible delay, Williamson and the Raja Muda agreed to substitute Syed Mohamad Shahabuddin with Syed Abdullah, the State Treasurer. Syed Abdullah was acceptable to the Sultan probably because he was more amenable to the Ruler's wishes. In Williamson's opinion the man was "absolutely without ideas and . . . [of] no use whatever on the Council."²⁷ The Siamese Financial Adviser suggested to Prince Damrong that when the list of the Council members was submitted to the King for his consent, Chulalongkorn should object to the appointment of Syed Abdullah and re-suggest, Syed Mohamad Shahabuddin as a suitable candidate for the Council membership. Williamson strongly recommended the inclusion of

²⁵ *Ibid.*, Williamson to Damrong, September 12, 1905.

²⁶ *Ibid.*

²⁷ *Ibid.*, Extract from the Annual Report of the Adviser to the Kedah Government for the year 1327 A.H. by W. George Maxwell.

Syed Mohamad Shahabuddin in the State Council as he considered him "a strong supporter of the new regime, [and] his presence in the Council would be most valuable."²⁸ Meanwhile, the Sultan, having been appeased with the temporary change in the Council line-up, officially agreed to the formation of the State Council, which composed of the Raja Muda, Tengku Abdul Aziz, as the Council President; the Financial Adviser, G.C. Hart; the chief Judge of the Supreme Court, Haji Ahmad; the State Treasurer, Syed Abdullah; and Mohamad Ariffin, the Sultan's Private Secretary. When Williamson left Kedah on September 22, 1905, the new system with the State Council and the Financial Adviser had begun to function smoothly.

Williamson's task, after the fruitful solution for the State Council, was the settling of all the debts and the launching of the 1905/6 annual budget of Kedah. In both aspects he was amply successful. According to W. George Maxwell, the British Adviser to Kedah Government,

In a marvellously short time, Mr. Williamson reduced chaos into order, and his estimates for the second half of the current year provided for a revenue of \$779,496 and expenditure of \$778,559 [were accurate].²⁹

Williamson had been able to bargain with the Sultan's creditors for reasonable reductions of their claims which helped to save part of the loan for more productive spendings later on. For example, in the case of Lee Ang, who was Sultan Abdul Hamid's main creditor, Williamson eventually persuaded the man to accept a 10% discount on his claims and settle his account with the payment of \$300,000.³⁰ The Siamese Financial Adviser also arranged the budget for the year 1905/6 and overcame the difficult problem of the Privy Purse of the Sultan. He had been able to persuade the Ruler to accept the sum of \$60,000 per annum or \$5,000 per menses as his Privy Purse. For this, a deposit account of \$80,000 was opened at the Chartered Bank in Penang at the Sultan's disposal. Williamson had left the state with the credit of

²⁸ *Ibid.*, Williamson to Prince Mahisra, September 5, 1905; and Report of the Financial Adviser on the Financial Position of Kedah, September 1905.

²⁹ *Ibid.*

³⁰ As late as January 1905 the Sultan refused to accept any measures that would help remedy the financial difficulties faced by the state on the ground that it would infringe upon his royal authority. Finally, the Raja Muda and the Sultan's mother had to resort to pleading with Bangkok to intervene and compel the Sultan to accept certain reasonable arrangements. See Sharom Ahmat, *op.cit.*, pp. 72-73.

\$128,000, from the amount undrawn of the \$2,600,000 loan. For the first time in the century, Kedah had a balance for its public spending. The revenue collection and administration were also mapped out. Williamson estimate the state revenue of \$779,496, which would be sufficient to meet Kedah's expenditure for the rest of the budget year which included the servicing of \$156,000 for the interest on the loan.

Williamson paid tribute to Raja Muda Abdul Aziz and the Sultan's Private Secretary, Mohamad Ariffin, for their co-operation and support which enabled him to re-establish financial order in Kedah. Both appeared determined to render whatever service and assistance to the Financial Adviser to hasten the end of the financial chaos and put the state back on a new start that would bring benefit to the state as a whole. In his own word, Williamson confessed,

I am having a good deal of trouble about the Sultan's Privy Purse and the allowance of the very numerous members of his family, most of whom expect to be kept by the Government for doing nothing. Luckily the Sultan's Private Secretary, Mohamed Arifin (sic), is one of the reform party. . . [so by working quietly with him] I have been able to cut out a good deal of numerous expenditure. Of course, with an absolute free hand, one could do more but I have to keep in mind the importance of re-assuring a freeble-minded and suspicious Sultan and conciliating. . . a hostile Tunku and hanger-on faction, who realise the days of unlimited grab are over. . . I am receiving the utmost assistance from the Raja Muda.³¹

When he left Kedah at the end of September, after about two months stay, Williamson had the satisfaction of leaving the now re-organised Kedah to the newly arrived Financial Adviser, G.C. Hart. In Kedah, he successfully implemented the new system which he himself had strongly advocated.

COMMENTS

The success of the negotiations for the \$2,600,000 Loan brought with it the end of the traditional overlord-tributary relations between Siam and Kedah. Siam's claim on Kedah was now clearly spelled out in the Loan Agreement, which allowed Siam to interfere in the domestic affairs of the state through her Financial Adviser and through the fact that the appointment of the State Council members needed the final approval of the King of Siam. For the first time in their long and historic relationship, Siam

³¹ FO 422/61 Frost to Reckett, August 26, 1907 (Confidential).

was given clear legitimate rights to interfere in the administration of Kedah. Before 1905, Siam's suzerain rights had been understood to include the supervision of Kedah's external relations, and the favourable predominant position in any aspect of Kedah's affairs that involved Siam's interests. The failure of the armed struggle between 1821 and 1839 brought home an awareness that in order to maintain its autonomy and peaceful relations with Siam, Kedah needed to cultivate a close and cordial tie with the latter. The financial crises of the early 1900s had compelled the Kedah leaders to accept certain limitations to their traditional rights and allow Siam to play a meaningful role in the internal affairs of their state.

Strictly speaking, Siam's authority in the internal affairs of Kedah was limited to finance and all that was directly involved with the financial matters. However, under the guidance of Raja Muda Abdul Aziz, the State Council had come to accept the authority of the Siamese Government's representative, the Financial Adviser, to advise and forward recommendations and suggestions on other aspects of the administration as well. Between 1905 and 1907, the authority of the Adviser was all pervading. No decision on the main aspects of the administration was done without the consent of the Adviser. Only with the appointment of Tengku Mahmud as the President of the Council that the strict interpretation of the Adviser's authority was insisted on in order to restrain the Adviser from exceeding his jurisdiction.

The Council had come to the conclusion that the late Raja Muda's policy has been wrong and *ultra vires*: that the arrangement with Siam was merely for the appointment of a Financial Adviser, and not a General Adviser: that in the future he must write no letter independently of the President of the Council, must not interfere in general matters . . . in Siam the Advisers only gave advice and had no further authority, and that the same should be in Kedah.³¹

The strict stand adopted by the Council under Tengku Mahmud interestingly raised much concern among British officials in the Peninsula, who regarded the weakened position of the Siamese Adviser in the state as a sign of a renewal of disorder which would threaten the British interests in the area. Consul Meadow-Frost, for example, urged that the Siamese Government be pressed to render full support to the adviser before it was too late.³² Prince Damrong felt compelled to intervene with the President of the Council. The President was explicitly ordered not

³² *Ibid.*

to raise the question of the authority of the Adviser until he had come to Bangkok and discussed the matter with the Siamese Government so as to find an acceptable solution to the problem.

It was true that the Agreement was to last until the loan was paid up. At that point, logically, the absolute power of the Sultan and the privileges of the ruling class would then be restored. Presumably, Kedah-Siamese relations would likewise return to those of the pre-1905 years. What would have happened had Siam not ceded Kedah to Great Britain in 1909 must be left to the realm of imagination. The fact is Kedah never returned to its traditional administration and the 1905 Agreement was an instrument that brought about the end of the tributary relation between Siam and Kedah.

The arrangement, administrative and financial, effectively put a restraint upon the limitless power of the Ruler within the state. Now the Sultan had to accept the advice of the State Council on all aspects of the public affairs. Though the Council members were appointed by him, the Sultan exercised practically no authority over them. This was clearly the case during the presidency of Tengku Abdul Aziz. This may be because the Sultan possessed no absolute say on the selection and appointment of his Councillors as the King of Siam reserved the final say in the matters through the exercise of his right to approve or disapprove the Sultan's choice. Financially the Sultan had to accept the separation of the expenditure for the civil list and the Privy Purse. For the first time the personal spending of the Ruler was separated from his public spending and fixed at the amount of \$60,000 annually. Without valid reasons, the Sultan could not hope for an additional sum from the state. He became thus accountable to the state for his administration and expenditure. Prior to this, the power of the Ruler was absolute and there existed no institution within Kedah that could claim to be his equal or superior. The illness which prevented Sultan Abdul Hamid from performing effectively his royal responsibility did nothing to impair his legal authority. The arrangement agreed upon in the Loan Agreement in 1905 brought an end to the traditionally supreme position of the Ruler in the state. He had to share his power and authority with the State Council presided by a senior member of the royal house, and the Adviser appointed by the Siamese Government. The days of the absolute and unlimited power of the Ruler were no more.

The re-organisation of the financial affairs introduced in 1905 afforded Kedah a meaningful opportunity to strengthen its position, both administrative and economic. While the administration of the rural and district level was maintained more or less

as before, the changes instituted at the centre gave Kedah certain aspects of a responsible administration which were beneficial to the state as a whole. For example, attempts were made to abolish the *kerah* (force) labour system, and to regulate the revenue farms so as to benefit the state and lighten the burden of the people. It could be said that the re-organisation of the administrative system in 1905 was successful in two principal aspects. It had enable Kedah to preserve the socio-political power and status of the local leaders in spite of the participation of the representative of the overlord state, and it had enabled Kedah to 'modernise' so as to strengthen the power base of the Malays which in retrospect stood in good stead against the claims made on them by the new colonial authority, the British, after 1909. The fact that by that time Kedah had already had an Adviser and had remedied serious weaknesses in its traditional administration helped the Kedah leaders in their effort to prevent the all-powerful Resident system from being implemented wholesale in the state. The British had to inherit the Advisory system and negotiate with the local leaders in matters concerning the state which had to take into account the strengthened socio-political status of the Malay elite.

The 1905 Agreement and the 1909 Anglo-Siamese Treaty, particularly the latter which caused so loud a protest and so strong a disappointment among the Kedah leaders, did not however bring about the end of the close personal tie prevailing between the two ruling classes. In fact, the special blood relations which had been cultivated since the time of Sultan Ahmad Tajuddin II (1845-1879) continued to improve and strengthen. By the time Kedah was ceded to Great Britain, for example, Sultan Abdul Hamid had taken as one of his consorts a Siamese lady from the *khunnang* (aristocratic family). At least two of the offsprings from this union were adopted by King Chulalongkorn and his son, King Vajiravudh, namely Tengku Yusof and Tengku Abdul Rahman. The trend continued right to the overthrow of the absolute monarchy in Siam in 1932. There could be no doubt that the family ties between the two ruling classes were hardly affected by the the end end of traditional tributary relations in 1905 nor were they broken by the cession of Kedah to Great Britain in 1909. The contrary appeared to be the case. It was most likely the end of the absolute monarchy in Siam that halted the close personal relations between the two states. Kedah thus became the only Malay tributary that could claim close family relations with the leaders in the Siamese capital. The fact helped to explain the relaxed and friendly atmosphere prevailing among the two ruling classes, the like of which could not be seen in any other Siamese Malay tributary state.

APPENDIX (C)

Loan Agreement between Siam and Kedah 1905

Between the undersigned, His Royal Highness Prince Mahisra Rachaharuthai, Minister of Finance to His Majesty the King of Siam, acting in the name of and for account of His Siamese Majesty's Government, as lender, of the one part, and Phya Seni Narong Ritti (Tengku Abdul Aziz) Raja Muda of Kedah, acting in the name of and for account of His Highness Chao Phya Ritti Songkram Rama Bhakdi Chao Phya Saiburi (Tengku Abdul Hamid) Sultan of Kedah, as borrower, of the other part.

It is agreed as follows:-

ARTICLE I

The lender agrees to grant to the borrower a loan of Two Million Six Hundred Thousand Dollars at the Rate of six per cent interest per annum.

ARTICLE II

The borrower undertakes on behalf of himself as Sultan of Kedah his successors and assigns to pay to His Siamese Majesty's Government on the first day of June of each year interest at the rate of six per cent, per annum on the capital sum outstanding on the last day of the previous month, viz.: the thirty - first day of May it being understood that interest for the first year will be reckoned from the dates on which the several sums making up the full amount of the loan are placed at the disposal of the borrower or are utilised in paying off the debts for the liquidation of which the loan is mainly granted.

ARTICLE III

The borrower also undertakes on behalf of himself as Sultan of Kedah his successors and assigns to repay the amount of the loan mentioned in Article I with interest at the rate provided for in the same Article to His Siamese Majesty's Government from the revenues of the State of Kedah, and the amount of the instalments and the times at which such instalments of the loan are to be paid by the lender to the borrower, and the amount of the instalments and the times at which the instalments of the loan are to be repaid by the borrower to the lender, will be incorporated in a subsidiary agreement to be signed hereafter.

ARTICLE IV

In consideration of the loan herein referred to the borrower undertakes on behalf of himself as Sultan of Kedah his successors and assigns to accept, until the loan (Capital and Interest) shall have been entirely repaid, the service of an Adviser to be appointed by His Siamese Majesty's government to assist him in the financial administration of his State, and the borrower further undertakes on behalf of himself as Sultan of Kedah, his successors and assigns to follow the advice of such Adviser in all matters relating to finance. The salary of the Adviser appointed by His Siamese Majesty's Government shall be paid out of revenue of the State of Kedah.

ARTICLE V

The borrower also undertakes on behalf of himself as Sultan of Kedah, his successors and assigns to refrain from contracting any fresh loan or incurring any financial liabilities until the loan herein referred to (Capital and Interest) is entirely repaid.

Given and signed in two identical copies of which one shall be kept by the lender and the other by the by the borrower.

Signature of Lender.	MAHISRA.
Witness.	PHYA SRI SAHADHEB
Signature of Borrower.	ABDUL AZIZ
Witnesses.	H.F. WILLIAMSON A.C.S. WARD.

Signed at Bangkok on the 16th day of June in the year One Thousand Nine Hundred and Five.

(Maxwell & Gibson, *Treaties and Engagements Affecting the Malay States and Borneo*, London. 1924)

ABBREVIATIONS

KK	—	Ministry of Finance, Siam
RSM	—	Reign 5 Mahatthai (Ministry of the interior)
M	—	Mahatthai
T	—	Ministry of Foreign Affairs, Siam
CO	—	Colonial Office, Britain
FO	—	Foreign Office, Britain