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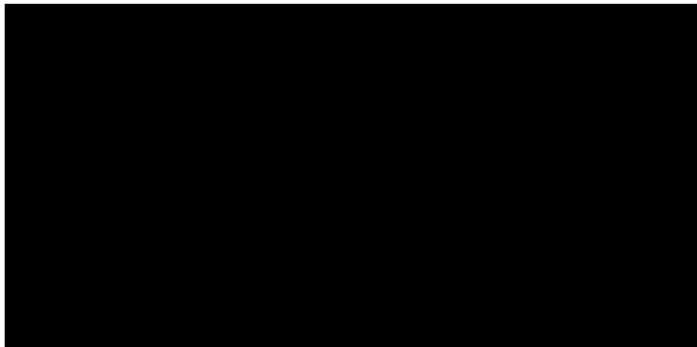
27 December 1963

MEMORANDUM FOR: Chief, Dissemination Control Branch, DD/CR  
FROM : Chief, Publications Staff, ORR  
SUBJECT : Release of CIA/RR GM 63-3, Malaysia, December 1963, Confidential, to Foreign Governments

1. It is requested that the attached copies of subject report be forwarded as follows:

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- #116, 117
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- #119
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2. All ORR responsibilities as defined in the DDI memorandum of 13 August 1952, "Procedures for Dissemination of Finished Intelligence to Foreign Governments," as applicable to this report, have been fulfilled.

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4 Attachments

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**GEOGRAPHIC  
INTELLIGENCE  
MEMORANDUM**

CIA/RR GM 63-3  
December 1963

**MALAYSIA**

*(Revision of CIA/RR GM 62-2, March 1962)*



DOCUMENT NO. 1  
NO CHANGE IN CLASS.   
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**CENTRAL INTELLIGENCE AGENCY  
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### Introduction

The federation of Malaysia\* was formally inaugurated on 16 September 1963. Comprised of Malaya, Singapore, Sarawak, and Sabah (North Borneo), it has a total land area of about 129,000 square miles (slightly larger than the state of New Mexico) and a total population of more than 10 million. The area and population of the individual components are as follows:

	Square Miles	1961 Estimates	
		Population	Percent of Total Population
Malaya	51,000	7,232,000	70
Singapore	210	1,700,000	17
Sarawak	48,250	780,000	8
Sabah	29,388	475,000	5

Malaya and Singapore are the more advanced components of Malaysia. Malaya, with a relatively cosmopolitan elite of wealthy Chinese, Indian, and Malay businessmen, has the highest per capita income in Southeast Asia; it is the world's leading producer of natural rubber and tin. Singapore, whose population is 75 percent Chinese, is the major entrepôt port in Southeast Asia. Sarawak and Sabah, on the other hand, are characterized by their relatively underdeveloped economies and their very diversified populations, large segments of which are primitive tribal peoples. In all the components the population is characterized by its relative youth; more than 50 percent of the people are under 19 years of age.

No part of Malaysia is more than about 7 degrees from the equator. Consequently, most of the area has a tropical climate, with heavy rainfall and uniformly high temperatures. Much of Malaysia is not well suited to human settlement and economic development. The interiors of Malaya, Sarawak, and Sabah are mostly mountainous and are densely forested; the extensive coastal swamps, especially in Sarawak, not only are unsuited to settlement but also impede access to the interior.

Largely as a consequence of the restricting influence of the forests, the swamps, and the infertile lateritic soils, an estimated 80 percent of Malaysia is uninhabited and devoid of any form of productive economy. Concentrations of population and economic activity are chiefly on the narrow coastal plains, in the foothills, and along some of the valleys. Transportation routes are restricted and inadequate; in Sarawak and Sabah, rivers often are the only routes into the interior. Where routes do exist, they not only serve as unifying elements among the settlements but also set the pattern for future development, as in the case of the Malayan rubber plantations, which generally became established in areas that could be served by existing rail lines to the tin mines.

### Economic Aspects

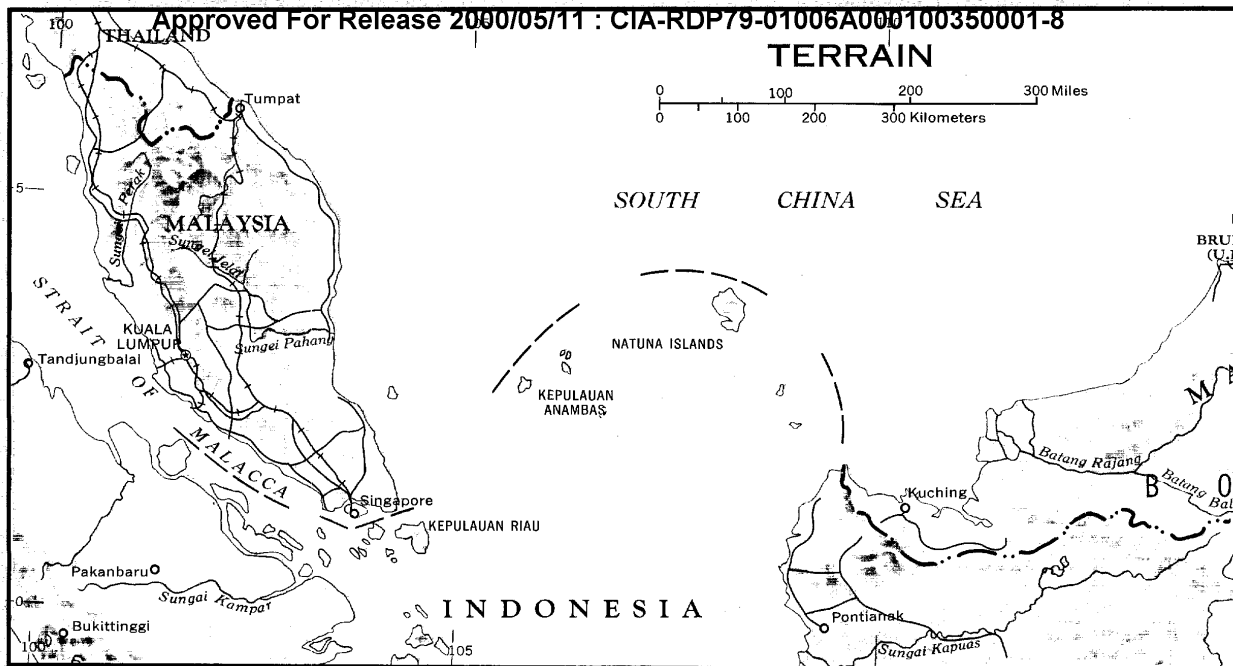
The economies of the components of Malaysia are dominated by agriculture, except for Singapore, which is dependent on trade. Nonfood commodities -- principally rubber, palm oil, coconut oil, and copra -- are the chief agricultural products of Malaya in terms of both acreage and value, although rice ranks second to rubber in individual crop acreage. In Sarawak and Sabah, the same crops rank first in value but are surpassed in acreage by food crops, chiefly rice. The major nonagricultural products of Malaysia are tin, timber, iron ore, and bauxite. An indication of the relative importance of these products in the economies of the producing states is given in the following tabulation:

Principal Exports (1962)	Million Malayan Dollars a/		
	Malaya	Sabah	Sarawak
Rubber	1,368.0	36.7	72.6
Tin	599.0	0	0
Petroleum	0	0	2.5 b/
Timber	48.0	122.1	40.8
Iron ore	166.0	0	0
Coconut oil and copra	9.0	18.5	Negl.
Palm oil	65.0	Negl.	Negl.
Pepper	Negl.	Negl.	23.9
Bauxite	6.2	0	4.0

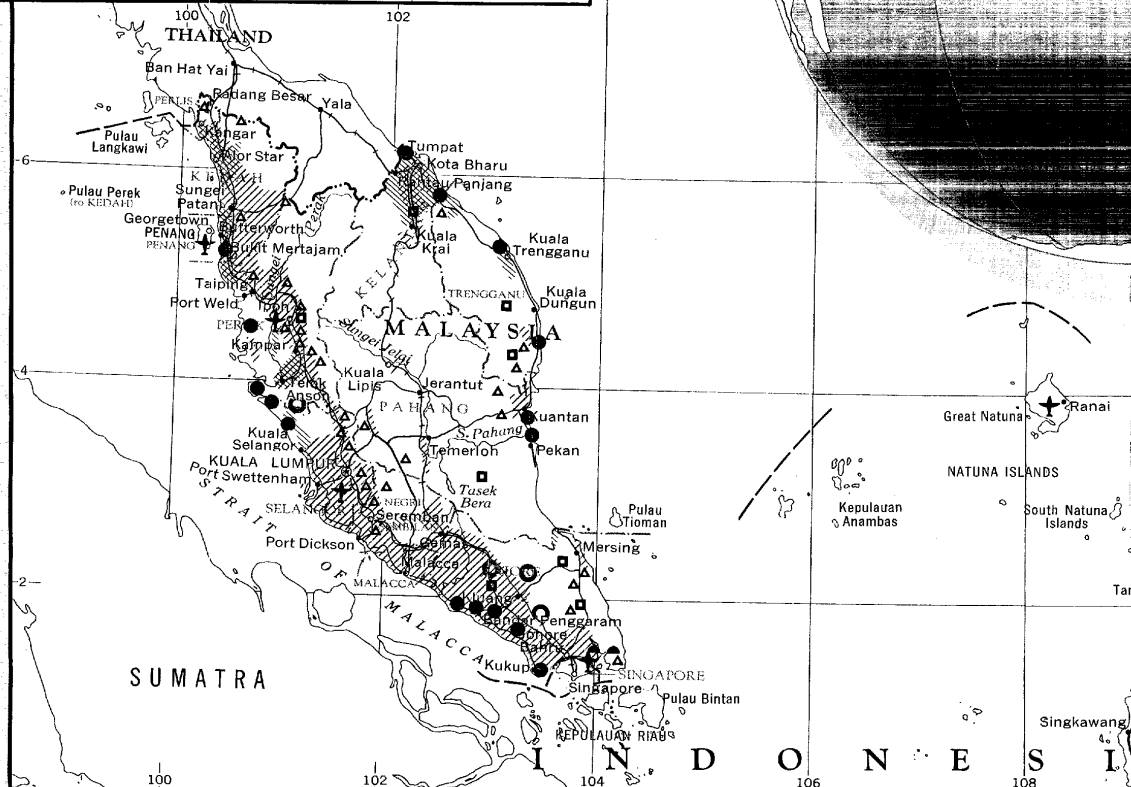
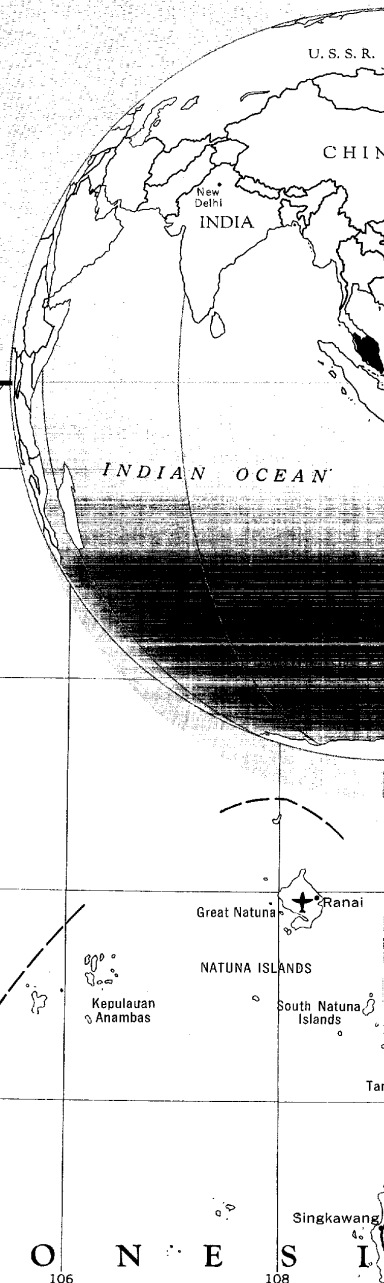
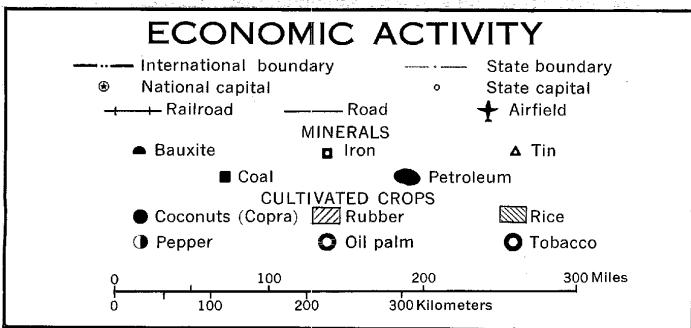
a. All monetary units in this memorandum are expressed in Malayan dollars; at official rates of exchange, US \$1 equals Malayan \$3.

b. Crude oil from the oilfields in Brunei is piped to Sarawak. Some of it is refined at the Lutong Refinery in Sarawak, but part of it is reexported without processing. In 1962, Sarawak produced \$2.5 million worth of its own oil; in addition, it exported \$110.5 million worth of refined products and \$106.7 million worth of crude oil of Brunei origin.

\* Malaysia consists of 14 first-order administrative units -- the 11 Malay states, Singapore, Sarawak, and Sabah (North Borneo). It does not include Brunei, which remains a British protectorate. The former Federation of Malaya will be referred to in this memorandum as "Malaya."



# MALAYSIA



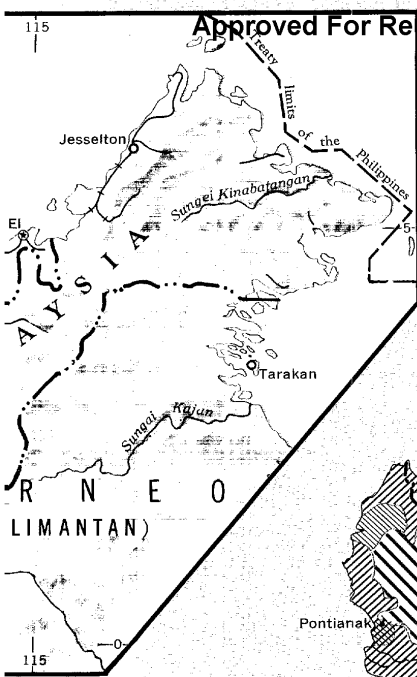
(1) The eastern segment, from Pulau Sebatik to Serudong, runs through a swampy area in which movement on foot is extremely difficult. Although some foot trails probably cross the border, infiltration by sea and river would be much faster and easier. The Muslim inhabitants in this area of Sabah probably would assist infiltrators.

(2) The major part of the border, from Serudong to the vicinity of Lubok Antu in southwestern Sarawak, passes through heavily forested, difficult mountainous terrain, generally between 3,000 and 7,000 feet in elevation, in which many of the known routes are a combination of rivers and foot trails. There is little or no surplus food in this segment of the border, and it is believed that many of the tribal peoples in the border areas of Sabah and Sarawak would be hostile to the infiltrators.

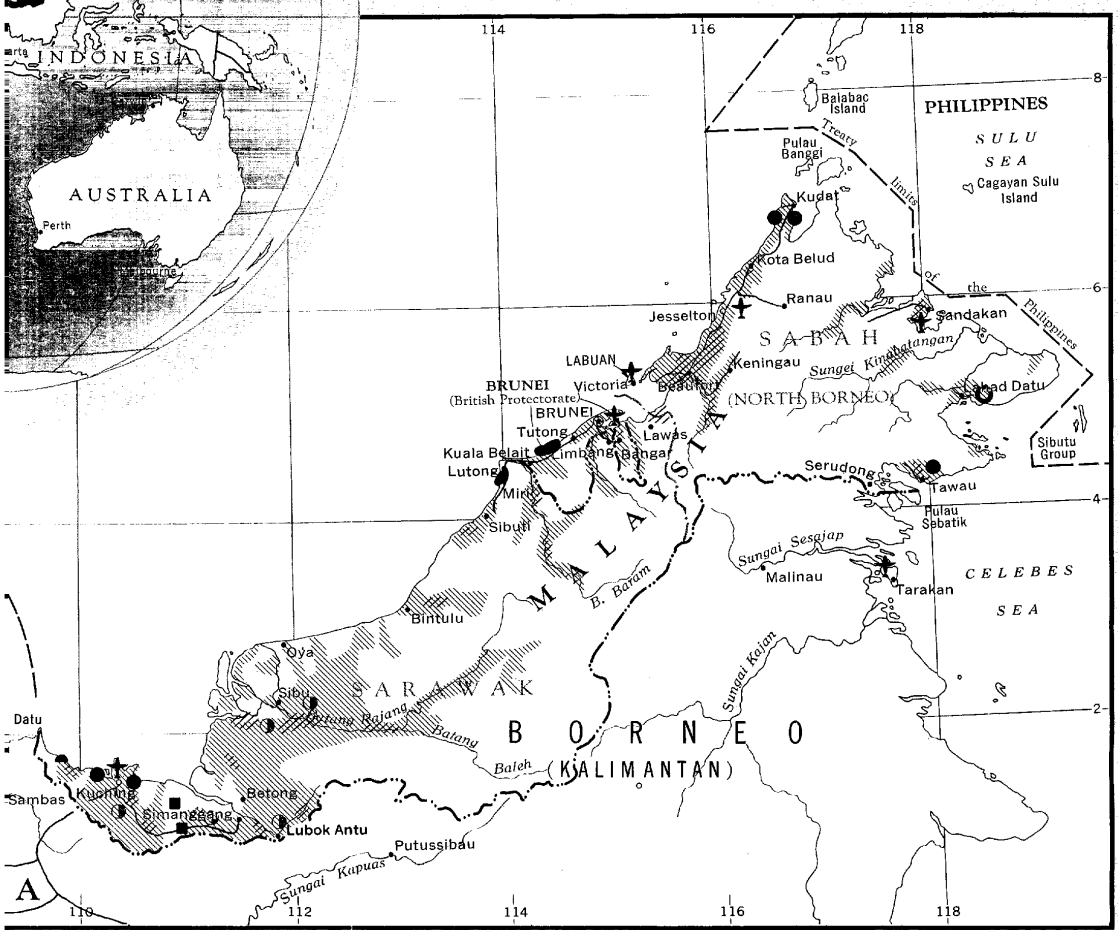
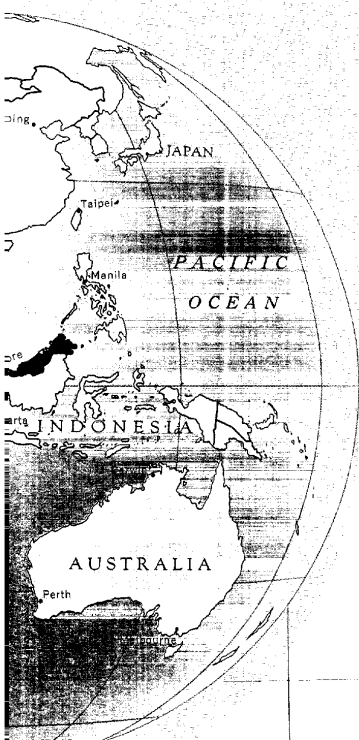
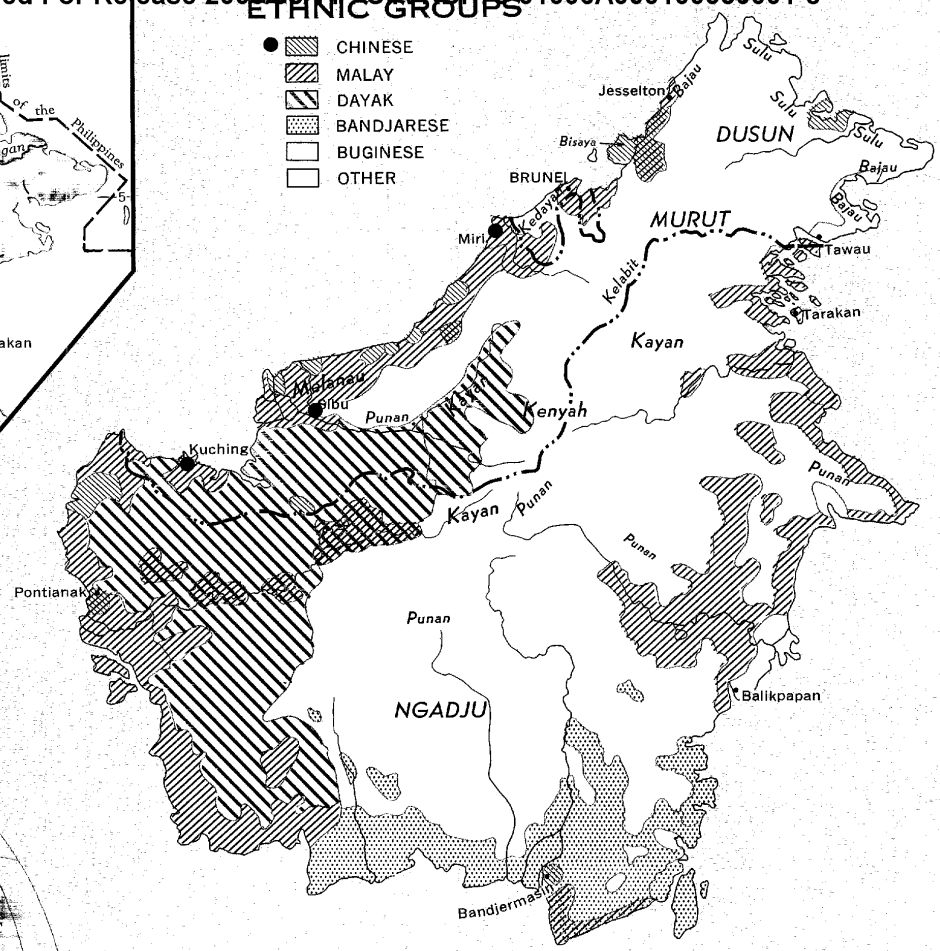
(3) From Lubok Antu to Tanjung Datu on the China Sea the border follows a belt of hills and low mountains (generally less than 3,000 feet in elevation) that can be crossed at any point without undue difficulty. Within Indonesian Borneo, there is a relatively good road system emanating northward from Pontianak. This road system, in conjunction with the navigable Sungai Kapuas, provides the Indonesians with a good lateral transportation net from which guerrillas can move north to the border over a wide front. In the past, there has been constant and uncontrolled movement across this segment of the border.

Economic confrontation as a facet of Indonesian policy has taken the form of a cessation of all legal economic relations with Malaysia, including the severance of all commercial transportation and communication links, as of 21 September 1963. In the past, however, smuggling between Indonesia and Malaysian areas has comprised a significant portion of the total volume of trade, and smuggling may continue in spite of increased patrolling activities. The cessation of legal trade will have its most serious effect on Singapore, which will experience a worsening of the chronic unemployment situation, especially among firms engaged in processing rubber from Indonesian smallholders. For Penang the heaviest blow will result from the interruption of imports of Indonesian tin ore, which has heretofore been smelted at Butterworth. The impact on other Malaysian states, which customarily have had only minor economic interchange with Indonesia, will be relatively slight. Although intended as an economic blow against Malaysia, the break in trade will also have serious consequences for Indonesia. The greatest impact will be in the disruption of normal trade, shipping, and financial channels for Indonesian exports; imports from Malaysia are relatively small in volume and can be purchased elsewhere.

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- CHINESE
- ▨ MALAY
- ▧ DAYAK
- ▩ BANDJARESE
- BUGINESE
- OTHER



United Singapore, Sabah has a perennial shortage of labor which is met through the immigration of migrant workers. Until recently, some 10,000 Indonesian migrant laborers could be found in the Tawau-Sandakan area at any time. If these workers are now prohibited from entering Sabah, the results presumably will be economically harmful to both Sabah and Indonesia.

### Special Problems

Malaya, which had avoided union with Singapore for fear of being swamped by its predominantly Chinese population, saw a possible solution to this problem in federation with the Borneo territories, in which the Chinese form a smaller segment of the population. A comparison of the number and percentage of Chinese in each component and in the total population of the Malaysian area in 1961 and 1947 is shown below:

	1961 Estimates			1947 Census		
	Chinese	Total	Percent of Total	Chinese	Total	Percent of Total
Malaysia	4,302,000	10,187,000	42.2	3,034,005	6,726,670	45.1
Malaya	2,670,000	7,232,000	36.0	1,885,000	4,908,000	38.4
Singapore	1,279,000	1,700,000	75.2	929,473	938,144	77.8
Sarawak	243,000	780,000	31.1	145,158	546,385	26.5
Sabah (North Borneo)	110,000	475,000	23.3	74,374	334,141	22.2

As shown by these statistics, the percentage of Chinese has decreased slightly in Malaya and Singapore but has increased in Sarawak and Sabah; the Chinese still comprise about 42 percent of the total population of Malaysia. They offer a challenge to the other peoples of Malaysia because of their greater cohesiveness, dominating position in business, and relatively higher standards of education. In Sarawak in 1960, less than 35 percent of the school-age population of Malay, Dayak, and other native groups was in school, in contrast to 80 percent of the Chinese children, most of whom attended the 231 primary schools that are under Chinese management and in which the Chinese language has been used for instruction. Most of the Chinese in Sarawak belong to the largest political party, the Sarawak United Peoples Party (SUPP). The SUPP has large anti-Malaysian elements from which the militant Communist Clandestine Organization (CCO) has drawn many of its recruits.

In Sarawak and Sabah, racial pride and a distrust of Malaya and Singapore are among the parochialisms that will have to be faced by Malaysia. Many residents of former British Borneo fear that the area will be colonized by the more advanced peoples of Malaya, both Malays and Chinese; of particular concern is the possibility that eventually many of the Chinese in Singapore may flood into Sabah, where a labor shortage is chronic. As a matter of racial pride, the indigenous peoples such as the Sea Dayaks and Land Dayaks of Sarawak refuse to use Malay in their schools, although Malay and English are the official languages. Consequently, Sarawak lacks the unifying force of a common language.

### Geography of Confrontation

The Indonesian confrontation policy proclaimed by President Sukarno is multifaceted, encompassing aspects of political geography, guerrilla warfare, and economic sanctions. In its conception of the extent of Indonesian territorial seas, Indonesia maintains that because it is an archipelago its unity must be preserved by special laws which, in effect, close off "internal seas" to free passage by foreign vessels. Under this concept, Indonesia specifically restricts the right of passage of foreign vessels in such prominent avenues of sea commerce as the Makassar Strait, the Java Sea, the Banda Sea, and the Molucca Sea and also in the open seas surrounding the archipelago up to 100 nautical miles out to sea. This concept of territorial seas has implications of possible maritime conflict in the narrow Strait of Malacca, the Riau Islands, and along traditional sea routes such as that used by Australia through the Banda Sea to Singapore and Hong Kong. Similarly, the position of the Natuna Islands -- Indonesian territory lying in the South China Sea roughly midway between Malaya and Borneo -- suggests an area of possible maritime or aerial conflict. There is an Indonesian airfield on Great Natuna Island.

Also confronting Malaysia is the Philippine claim to Sabah on behalf of the descendants of the Sultan of Sulu, who maintain that the Sultan merely leased North Borneo in 1878 to the British North Borneo Company, which administered the territory until the Japanese invasion in 1942. North Borneo was made a British colony in 1946. Philippine President Macapagal has made the claim not only a legal issue but also a security issue, holding that should Malaysia eventually become dominated by Chinese Communists because of the large proportion of Chinese in the Malaysian population, the Republic of the Philippines would need Sabah as a buffer against Communist-controlled territory at its southern frontier.

Guerrilla warfare sponsored by Indonesia is generally favored by the natural environment of Sarawak and Sabah, particularly as the actions involve raids into the two Malaysian components and retreats to the sanctuary of Indonesian Borneo for rearming and retraining. The border between this part of Malaysia and Indonesian Borneo generally follows a watershed that is aligned roughly southwest-northeast and is about 900 miles long. The alignment of the boundary has not been changed since it was established by the British and the Dutch in 1890. A short segment southwest of Kuching has been demarcated, but only preliminary reconnaissance surveying has been carried out along the rest of the border. From the aspect of Indonesian guerrilla crossings,

Malaya undoubtedly will be the main source of exports from the new federation; and the chief exports, at least for the near future, will continue to be rubber, tin, timber, and iron ore. Currently the economies of the Malaysian components are not complementary. Both Malaya and Singapore are pushing industrial development, however, and new industries will use some of the primary production as raw materials.

Singapore: In addition to being a focus of interocean shipping, Singapore is a main port of exit and entry for much of Malaya and has been a center for the coastal trade of Indonesia as well as Sarawak and Sabah. Normally, raw materials from these areas are sent to Singapore and after processing, grading, and packing are exported to world markets, but all trade with Indonesia came to an abrupt halt on 21 September 1963, when President Sukarno broke off trade relations with Malaysia. Singapore probably will benefit from the establishment of the federation because of an expanded protected market for Singapore manufacturers and because the component states of Malaysia can be expected to channel more trade through the port. Timber, most of which goes to Japan, in the future may be processed into plywood in Singapore or Malaya. Although protective tariffs will be set up by the Malaysian common market, special regulations permitting a 12-year period of transition in the imposition of tariffs on Singapore imports will soften the impact on Singapore's traditional role as a free port.

In 1962 the total external trade of Singapore, including trade with Malaya, amounted to \$7,453.1 million, of which \$4,036.6 million were imports and \$3,416.5 million exports, leaving an unfavorable trade balance of \$620.1 million. The main imports were crude rubber, foodstuffs and beverages, petroleum products, machinery and vehicles, and textiles. By value the chief sources of imports were Indonesia, Malaya, the United Kingdom, Japan, and the United States; and the chief recipients of exports were Malaya, Indonesia, the United States, the United Kingdom, and Japan. Imports from Indonesia declined for the third successive year.

Malaya: Although the financial position of Malaya is considered sound and it has the highest per capita income of any continental Southeast Asian country, its present economic dependence on rubber and tin holds hazards for Malaysia beyond those inherent in the erratic prices on the world market. The Malayan Minister for Commerce and Industry has stated that unless the price of rubber can be stabilized, Malaya's immediate future is bleak and that it must strive to diversify its economy. The rubber industry of Malaya received an unexpected bonus from President Sukarno's trade embargo when rubber prices rose 15 percent in October 1963 -- after the ban on movement of Indonesian rubber to Singapore. The world market for natural rubber is increasingly threatened, however, by competition from synthetic production, which in 1962 exceeded natural rubber production for the first time in history. In an effort to insure competitive pricing of natural rubber, Malayan plantations are concentrating on planting high-yielding trees that produce three or four times present yields.

For tin the future is also uncertain. Although the Kinta Valley of Malaya is still the world's most productive tin field, deposits of high quality Malayan ore are being depleted. No important new tin resources have been found, and a reworking of grounds that have been mined before may become necessary for continued production, thus possibly increasing the cost of Malayan tin and making it less competitive on the international market. An encouraging, although probably temporary, development for the Malayan tin industry occurred in late October 1963 when the tin pool that is controlled by the International Tin Council became exhausted and the price of tin soared to a new high for the year.

Trends: All the components of Malaysia have adopted plans for improving and diversifying their economies. In Malaya, 3.5 million acres are currently in rubber; of these, 2 million are in estates and 1.5 million are in holdings of less than 100 acres, with the majority less than 10 acres. Although this is a relatively equitable distribution, Malaya is making a significant effort to broaden the landownership base. The economic plans of Malaya, Sarawak, and Sabah involve the opening up of new agricultural lands to provide holdings of economic size to more of their people. Partly because of the uncertain future of natural rubber, the diversification program has stressed the production of palm oil. As a result, oil palm acreage has increased annually and some 140,000 acres are now under cultivation in Malaya. Industrialization is of major importance for Malaya because of the increase in its urban population since 1951 and for Singapore because of its limited land area, decreasing entrepôt trade, and growing unemployment. The Pioneer Industry programs of Malaysia, with tax-free benefits to approved new industries, and the work of the Economic Development Board of Singapore provide further evidence of the intense efforts being made to improve and strengthen the economies of the component states.

Population

Malaya: The following tabulation gives the estimated ethnic composition of the population of Malaya as of December 1961, by number and by percent of the total population. For purposes of comparison, the tabulation also gives the corresponding percentages from census figures of 1957 and 1947.

Population Group	1961		1957	1947
	Number	Percent	Percent	Percent
Malay	3,616,000	50.1	49.8	49.5
Chinese	2,670,000	36.9	37.2	38.4
Indian and Pakistani	813,000	11.2	11.5	10.8
Other (indigenous and nonindigenous)	133,000	1.8	1.7	1.3
Total	7,232,000	100.0	100.0	100.0



Significant in the 1957 census also showed that the Chinese constituted 64 percent of the population in urban centers, as against 37 percent of the population as a whole.

Because of restrictions on immigration of other races since 1931 and a higher birth rate among the Malays, the percentage of Malays in the total population increased slightly between 1947 and 1961, whereas the percentage of Chinese decreased slightly. Projections indicate that the proportion of Malays can be expected to increase to 51.6 percent by 1972 and that of Chinese to decrease correspondingly.

The Malay population is mainly concentrated along the Johore coast and in the rice areas of the northeast and northwest, whereas the Chinese and Indians are most densely settled in a belt about 40 miles wide along the west coast. The concentration in this belt, which coincides largely with the main areas of tin and rubber production, reflects the importation of Chinese and Indian laborers during the 1800's.

Singapore: The ethnic composition of the population of Singapore, by number and percent for 1961 and by percent for 1957 and 1947, is as follows:

Population Group	1961		1957	1947
	Number	Percent	Percent	Percent
Chinese	1,279,000	75.2	75.4	77.8
Malay	238,000	14.0	13.6	12.1
Indian and Pakistani	142,000	8.3	8.6	7.3
Other (nonindigenous)	41,000	2.5	2.4	2.8
Total	<u>1,700,000</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

The population increase between 1947 and 1961 was 81.2 percent. Although the Chinese population increased 75.3 percent and the Malay 100.1 percent during this period, the proportion of Chinese to the total population declined slightly. The over-all population density amounts to about 8,100 persons per square mile on the 210-square-mile island. Actually, however, 75 percent of the population is concentrated within the limits of the city of Singapore, which occupies only some 32 square miles on the south side of the island.

Sarawak and Sabah: An outstanding characteristic of the population of Sarawak and Sabah is its great diversity. In the complicated ethnic picture are many tribal groups that differ from each other in language, customs, and economic pursuits. In Sarawak the official census in 1947 listed 181 tribes or groups of indigenous peoples; in the 1960 census these peoples were consolidated into 63 tribes under 12 main headings. For many of the indigenous people, group consciousness does not go beyond the confines of the village. Even within groups such as the Sea Dayaks, the language of a tribe in one area may be unintelligible to a tribe in another area.

The ethnic composition of the population of Sarawak and Sabah by number and percentage is as follows:

Population Group	Sarawak		Sabah	
	Population in 1960	Percent of Total	Population in 1960	Percent of Total
Indigenous				
Malay	129,300	17.4		
Sea Dayak	237,741	31.9		
Land Dayak	57,619	7.7		
Melanau	44,661	6.0		
Dusun			145,229	32.0
Murut			22,138	4.9
Bajau			59,710	13.1
Other		5.1		17.5
Bisaya	2,803		10,053	
Kedayan	7,207		7,871	
Kayan	7,899			
Kenyah	8,093			
Kelabit	2,040			
Murut	5,214			
Punan	4,675			
Brunei			23,450	
Orang Sungei			15,112	
Sulu			11,080	
Tidong			4,417	
Sino-native			7,438	
Nonindigenous				
Chinese	229,154	30.8	104,542	23.0
Indonesian	3,241	0.4	24,784	5.4
European	1,631	0.2	1,896	0.4
Other	3,251	0.5	16,701	3.7
Total	<u>744,529</u>	<u>100.0</u>	<u>454,421</u>	<u>100.0</u>