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**GEOGRAPHIC
INTELLIGENCE
MEMORANDUM**

**CIA/RR GM 62-2
March 1962**

MALAYSIA



**CENTRAL INTELLIGENCE AGENCY
OFFICE OF RESEARCH AND REPORTS**

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STATE, NAVY review(s) completed.

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MALAYSIA

Introduction

The concept of a political entity of Malaya, proposed in May 1963 by the Malaya prime minister, Tunku Abdul Rahman, is based on the earlier "Grand Design" advanced by Malacca Macdonald in 1959 as a long-range objective for British policy. Both concepts envision a Federation that would include the 11 states of the Federated Malaya, the State of Singapore, the crown colonies of Sarawak and Borneo, and the Sultanate of Brunei, a British protectorate. The Federation of Malaya would have a land area of about 130,000 square miles and a population of about 10 million.

One published, the current Malaya concept rapidly reached the point of negotiation between the governments concerned and the British. The Malaya plan offers an acceptable method of concentrating what it deems to be a necessary merger with Singapore. In the new Federation the predominantly Chinese population of Singapore would be counterbalanced by the predominantly non-Chinese population of Malaya and British Borneo, thus precluding Chinese domination. Lee Kuan Yew, prime minister of Singapore, also favors the proposed Federation but stipulates that Singapore should retain the right to maintain its own policies in the fields of labor and education. Should Singapore acquire complete independence, instead of becoming a part of the new Federation, Lee fears that it would become a left-wing Chinese political entity surrounded by Malaya -- "the Island of Southeast Asia." Britain favors the proposed Federation, with some reservations, and will relinquish sovereignty over Singapore and British Borneo to Malaya upon actual Federation. Although none of the component states of Malaya is a member of SEATO, the United Kingdom, which is a SEATO signatory, will retain the right to use the Singapore military base. Before the Federation is consummated, however, and apparently only as a first step in carrying out the new Federation and to comply with the Sultan of Brunei. May in British Borneo have reservations about joining the Federation although acceptance of a privileged position have been offered by the Malaya Solidarity Consultative Committee, a representative body that is attempting to work out details of Federation. From the Communist element, which views Malaya concept with alarm, dissension and possibly violence can be expected.

Difficulties emanating from the underdeveloped economies as well as from the ethnic complexity of the components may affect the viability of the new Federation. Heavy dependence upon income from products of primary industry, particularly tin and rubber, will expose the economy of Malaya to considerable instability resulting from international price fluctuations. Furthermore, none of the component states is self-sufficient in its main food staples, rice, and all must depend upon imports of up to 50 percent of their needs, as in the case of Sarawak.

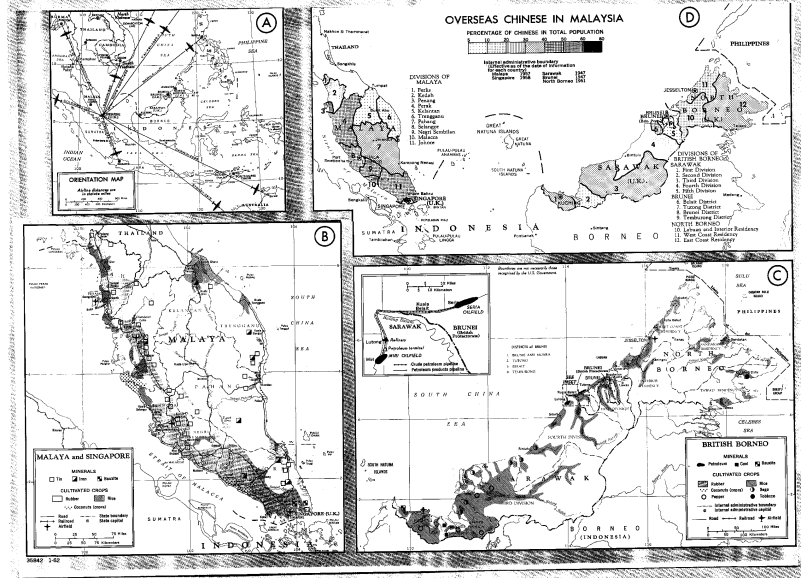
Location

Of paramount consideration is the location of Malaya, no part of which is more than about 7 degrees from the Equator (see Map 32066). Most of the area has a tropical climate, with heavy rainfall and uniformly high temperatures. These characteristics have had a marked influence upon the development of the local economy, notably in the fields of agriculture and transportation.

The specific locations of the component states have further significance. Singapore owes its importance chiefly to its position at the entrance to an inter-oceanic bottleneck, the Strait of Malacca, which has been likened to the main road from Europe to Asia. Singapore thus controls the main east-west connection between the Indian and Pacific Oceans (via the South China Sea), and along the north-south axis, it occupies a strategic position between Southeast Asia and Australasia. As a consequence, international shipping transiting the area generally stops here at Singapore -- once on the voyage trip and once on the return trip -- thus doubling much of the port's trade. Should the long-disputed New Britain canal across northern Borneo from Victoria Strait to Chongton (see Map 32062) be constructed, however, the strategic importance of Singapore's position might well decline, since the proposed canal would shorten the distance and sailing time between ports of East Asia and the Indian Ocean.

In this memorandum, the term "Malaya" applies to the proposed Federation of Malaya, "Malaya" to the present Federation of Malaya, and "Singapore" to the State of Singapore. "British Borneo" refers to the combination of Sarawak, Brunei, and Borneo.

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The position of British Borneo on the island of Borneo is noteworthy in the context of potential ambitions of a nationalist Indonesia, which currently governs three-quarters of the island. The 500-mile international border on Borneo extends through a sparsely populated, generally densely forested, mountainous region; only a very small segment of the boundary in the area southwest of Bontine has been demarcated. From the primitive population of Sarawak, more across the border, they almost certainly do so in total ignorance of the existence of a boundary. The location of the Indonesian-Sarawak Island, closer between British Borneo and Malaya may create further difficulties should Indonesian expansionist aspirations toward British Borneo materialize. Some reports also indicate that the Philippines may press an old claim to North Borneo that is based on a grant given to the Sultan of Sulu in 1744. Groups in North Borneo opposed to Federation would probably seize upon any of these situations to further their attempt to block the formation of Malaya.

The proximity of Malaya to Sumatra, in conjunction with the ethnic and religious affinities of their peoples -- most of whom are Malay stock and adherents of the Islamic religion -- suggests possible future relations between Malaya and Sumatra. Malaya would probably offer advantages for the Sumatrans, who are traditionally more conservative than the Indonesians. Should the Indonesian Government move too far to the left politically. During the Japanese occupation, Sumatra was governed from Singapore.

Resources

The terrain of much of Malaya is not conducive to human occupation and economic development. The interior of Malaya and British Borneo are mostly mountainous and densely forested, and the extensive coastal swamps, especially in Sarawak, not only are unsuitable for settlement but also impose taxes to the interior, largely as a consequence of the restrictive influence of the forests, the swamps, and the difficult terrain, which are estimated to prevent 50 percent of Malaya's population from reaching the interior. Transportation routes are restricted to the valleys, and on the coastal plain. Transportation routes are restricted to the valleys, and on the coastal plain. Transportation routes are restricted to the valleys, and on the coastal plain. Transportation routes are restricted to the valleys, and on the coastal plain.

Economic Aspects

The economies of the components of Malaya are dominated by agriculture except for Singapore, which is dependent upon trade, and Brunei, which relies on petroleum production. Rice is the chief agricultural product of Malaya on first in value but they are surpassed in average by food crops, mainly rice. The major nonagricultural products are tin, petroleum, timber, iron ore, and bauxite (see Map 32062 and 32063).

An indication of the relative importance of these products in the economies of the producing components of Malaya is given below:

	Malaya	British Borneo	Brunei	Sarawak
Rubber	1,000.0	40.0	4.0	100.0
Petroleum	200.0	0	0	2.0
Tin	0	0	0	0
Iron ore	10.0	40.0	0	0
Cocoa and coconut oil	50.0	0	0	0
Palm oil	50.0	0	0	0
Pepper	0	0	0	0
Sisal	0	0	0	0
Diagrams	0	0	0	0

All monetary units in this memorandum are Malaya dollars, unless otherwise specified. Malaya dollar established after World War II for the Malaya area; at official exchange rates one US dollar equals three Malaya dollars.

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not complementary, although most of the petroleum produced in Brunei and in the West field of Sarawak is processed and refined in the Labong refinery of Sarawak (see Map 1954C). Malays and Singaporeans, however, are pushing industrial development, and are intensive may use some of the primary production as raw materials. Production probably will benefit Singapore (which in recent years has been plagued by decreasing trade) because the components can be expected to channel more of their trade through the port.

In addition to being a focus of interarea shipping, Singapore is a main port of exit and entry for much of Malaya and a center for the coastal trade of Indonesia and British Borneo. Raw products from these areas is sent to Singapore and, after processing, grading, and packing, is exported to world markets.

In 1959, the total trade of Singapore amounted to \$2,806.2 million, of which \$1,056.5 million were imports and \$2,707.7 million exports, leaving an unfavorable trade balance of \$98.3 million. The main imports were rubber, petroleum products, rice and other foodstuffs, and textiles; the chief exports were rubber, petroleum products, ship and aircraft stores, and rice and other foodstuffs. By value the chief sources of imports were Indonesia, the United Kingdom, Japan, and the United States; and the chief recipients of exports were the United States, the United Kingdom, "Other Countries in Europe," Japan, and Indonesia. In 1959, Indonesia exported 37 percent of the imports by value but received only 4.6 percent of the exports as compared with 14.4 percent in 1955 -- a decrease caused largely by a virtual embargo on textile imports by Indonesia. In view of the economic difficulties of Singapore, it is worth noting that British military bases there employ directly 55,000 Singapore citizens and indirectly many thousands more.

Demography

Malaya: The estimated population of Malaya in 1960 was 6.82 million or about 70 percent of the total for the entire Malaysian area. The following tabulation gives the 1957 census figures for the ethnic composition of the population by number and by percent of the total, and, for purposes of comparison, the corresponding percentages for 1947.

Population Groups	1957		1947	
	Number	Percent	Number	Percent
Malaya	3,246,096	82.3	1,819,393	89.3
Chinese	2,439,936	75.2	1,311,411	72.2
Indians	595,586	18.3	407,982	22.4
Europeans and Others	210,574	6.5	99,900	5.4
Total	6,828,263	100.0	2,037,675	100.0

Significantly, the 1957 census shows that, of the 2.67 million persons in urban centers, 63 percent or 1.7 million were Chinese. (The percentage of Chinese to the total population by second-order administrative division for the Malaysian area is shown on Map 1958B.)

Because of restrictions on immigration of other races since 1933 and a higher birthrate among the Malays, the percentage of Malays to the total population increases slightly between 1947 and 1957, whereas the percentage of Chinese decreases slightly. Projections indicate that the proportion of Malays can be expected to increase to 26.6 percent by 1975 and that of Chinese to decrease correspondingly. The segment of population involved will still be under voting and employment age in 1975. It is present about 60 percent of the population is under 21 years of age.

The Malay population has its chief concentrations in the rice areas of the northeast and northwest and along the Johore coast, 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 areas of tin and rubber production, reflects the immigration of Chinese and Indian laborers by the thousands during the 1800's.

Singapore: The official estimate of the population of Singapore as of June 1960 was 1,278,410 or about 17 percent of the total population of the Malaysian area as of 1960. Its ethnic composition by number and percent follows:

Population Groups	1960		1947	
	Number	Percent	Number	Percent
Chinese	1,120,700	73.3	611,111	71.8
Malays	227,200	17.9	121,111	14.1
Indians and Pakistanis	117,000	9.2	63,111	7.4
Burmese	12,000	0.9	6,111	0.7
Europeans	12,000	0.9	6,111	0.7
Others	15,000	1.2	8,111	1.0
Total	1,543,900	100.0	847,666	100.0

The total population increase from 1947 to 1960 was 74.1 percent. Although the Chinese population increased 65.6 percent and the Malay 59.1 percent during this period, the percentage of Chinese to the total population declined only slightly -- to 73.3 percent. The birth rates of all segments of the population are high and, as a result, about half of the population of Singapore is under 19 years of age. The overall density amounts to almost 8,000 persons per square mile on the 215-square-mile island. Actually, however, 75 percent of the population is concentrated within the limits of the city, which occupies some 37 square miles on the south side of the island.

British Borneo (Sarawak, Brunei, and North Borneo): An outstanding characteristic of the population of British Borneo is its great diversity. In the completed ethnic picture are many racial groups that differ from each other in language, customs, and economic pursuits. In Sarawak, for example, the census category "Malays and Other Indonesians" includes Malays, Sea Dayaks, Land Dayaks, Melanos, Kayans, Kenyahs, Dayaks, Kelahits, Muruts, and other smaller groups. 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. For most of the indigenous people, group consciousness does not go beyond the confines of the village.

The ethnic composition of the population of British Borneo by number and percent is presented in the following tabulation:

Population Groups	1960		1947	
	Number	Percent	Number	Percent
Malays and Other Indonesians	876,079	68.3	471,111	70.7
Chinese	322,464	25.0	181,111	27.1
Burmese and Others	20,457	1.6	11,444	1.7
Total	1,219,000	100.0	663,666	100.0

The increase in the percent of Chinese is particularly significant in view of the great diversity among the other groups. Unlike Singapore, North Borneo has a pronounced shortage of labor which is met through the immigration of migrant workers. Some 10,000 Indonesian migrant laborers may be found in the Tawa-Bendabau area at any given time.

Trade and Commerce

Major sources of possible friction in the Federation of Malaya will be its ethnic complexity and the inherent fears and antipathies among its people. Malaya, which has been being sought by the predominantly Chinese population of Singapore, seems a possible solution to this problem in the combined population of the new Federation. A comparison of the make-up of Chinese in each component and in the total population of Malaya is shown below for 1960 and 1947:

	1960 Estimates		1947	
	Chinese	Percent of Total	Chinese	Percent of Total
Malaya	2,500,000	68.1	1,311,411	64.4
Singapore	1,120,700	73.3	611,111	71.8
British Borneo	322,464	26.7	181,111	27.1
Brunei	32,779	81.8	16,369	40.4
Sarawak	289,685	23.9	164,742	25.2
Malaya	3,165,528	68.1	1,684,343	64.4

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As evidenced by these statistics, the percentage decrease of Chinese in Malaya and Singapore has been offset by the increase of Chinese in British Borneo, and consequently Chinese will still represent about 43 percent of the total population of Malaysia. Obviously, they offer a challenge to the new Federation because of their greater cohesiveness, dominating position in business, and relatively high standards of education. In Sarawak, in 1960, less than 25 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 Chinese is the medium of instruction.

In British Borneo a stream of Malay and metal price war among the palm-oil planters that will have to be faced by the new Federation. Many in British Borneo fear that the area will be colonized by the more advanced people of Malaya, and indigenous peoples such as the Sea and Land Dayaks of Sarawak regard, as a matter of racial pride, to use Malay in their schools although Malay and English are the official languages. Consequently, as its Education Department instituted in 1960, Sarawak looks toward the unifying force of a lingua franca.

In contrast to such possible divisive forces is the potentially significant unifying influence of the Islamic religion, which is professed by an estimated one-third of the population of British Borneo and by an overwhelming majority of the Malays of Malaya. The terms "Malay" and "Muslim" have become almost interchangeable, and naturally may convert to Islam in the Malaysian area is known as a "Malay".

Recent economic dependence upon such products as rubber, tin, and petroleum hides hazards for Malaya beyond those inherent in the erratic prices on the world market. The natural-rubber market is threatened by competition from the synthetic product. In an effort to insure competitive pricing of natural rubber, high-yielding trees that produce 3 or 4 times present yields have been planted. For tin and petroleum, the future is more uncertain. Although the Kinta Valley of Malaya, near Ipoh, is still the world's most productive tin field, deposits of high quality Malayan ore are being depleted. Since no important new tin resources have been found, a reworking of already mined grounds may become necessary for continued production, thus increasing the cost of Malayan tin and making it less competitive on the international market. Similarly, production of crude petroleum from the Beria field in Brunei, the chief source of oil in British Borneo, is declining. Output as of mid-1961 was down to 83,000 barrels daily as compared to a peak of 150,000 barrels in mid-1957. Extensive exploration elsewhere as well as on land, has failed to locate any important new deposits.

All of the components of Malaysia have adopted plans for improving their economies. In Malaya 1.5 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 land-ownership base. The economic plans of Malaya and British Borneo involve the opening up of new agricultural lands to provide holdings of economic size to more of their people.

Probably even more important from the point of view of the Malaysian economy is the need for diversification, with emphasis on industrialization. Brunei, with its overwhelming dependence on oil, is particularly in need of diversification. 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 outposts trade, and growing unemployment. The Federation industry program of Malaya, with its tax-free benefits to approved new industries, and the work of the Economic Development Board of Singapore provide further evidence of the efforts being made by the component parts of Malaysia to develop viable economies that will be essential to the survival of the new Federation.

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Record of Man Hours for Report No. GM 62-2

Project No. 61-1974

	<u>Analyst</u>	<u>Editor</u>	<u>Coordinator</u>	<u>Clerical</u>
Totals	<u>266</u>	<u>46</u>	<u>-</u>	<u>35</u>

Period during which man hours charged:

From: Dec 61
Thru: May 62

50

14 AUG 1962

STATINTL

brought this
memo in. Said Dr. Cutler
decided not to send it out.
If its our mistake --
guess its our mistake
not much more one can
say, I guess. So Carol said
she returning it to us.

Martie

SECRET

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Not sent.
Returned by AD's office

MEMORANDUM FOR:

[Redacted]

SUBJECT:

Geographic Intelligence Memorandum on "Malaysia" --
GIA/RR GM 62-2

REFERENCE:

[Redacted]

25X1

1. Your comments on subject report, which was produced on short deadline at ONE's request, have been noted. The following paragraphs refer to the several points of content questioned.

2. UK rights in Singapore. We agree that the GM 62-2 statement, ". . .the United Kingdom. . .will retain the right to use the Singapore military base." should be regarded as subject to Federation leaders' permissiveness and local popular attitudes. These limitations, however, apply to the British situation presently -- the British could not, for instance, use Singapore against the Indonesians in New Guinea. Similarly, we felt that the residual sovereignty possessed by the host country is a limitation on freedom of action that is generally appreciated. The report here only intended to record the fact of agreement on UK rights, as announced by Prime Minister Rahman.

[Redacted]

25X1

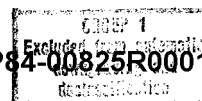
3. Malaysia Solidarity Consultative Committee. We agree that this committee does not represent all popular opinion. The term, "representative" was used in the sense that the committee is constituted of representatives from all of the political components interested in Malaysia.

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4. The economy. It is certainly true that in an auto drive through Malaya one is impressed with the "hustle and bustle"; the economy has markedly improved since the period of the Emergency. On the other hand, based on the present knowledge of Malaya's natural resources, we believe it is unwarranted to claim, as you suggest "many expert observers" do, that the Federation has "very considerable economic potentials for the future." Our detailed conclusions on the Federation's resource base are available on request.

SECRET



5. Map A. This map shows great-circle distances, not those of scheduled air carrier routes. "Airline" distances in the legend thus should have been "air" distances. With regard to the questioned citation of direct flights from Singapore to Manila, the Official Airline Guide for April 1962 lists four direct flights weekly by BOAC between Singapore and Manila. In addition, there were three flights weekly by Cathay Pacific Airways from Singapore to Manila via Hong Kong. We were wrong in showing direct flights to Sydney.

6. Map B. The omission from this map of the main north-south road in Malaya has its roots in an old cartographic problem -- how to show background detail without obscuring the main subject of the map. In this case, there were a number of design complications which counseled omission of this road, as indeed many others. Concerning the main East-West route, you are right -- portrayal of a major section of the road was based on an obsolete source. Concerning the road shown as entering Thailand, our information has it trafficable, constructed of crushed stone or blacktop as of 1959; we would certainly accept a more recent report. In the case of the motorable route on the east coast, we may both be in error -- a recheck here shows good evidence for the trafficability of all sections except that between Pontian and Rempin; this possible gap is to be closed by a new road to be completed in 1963.

7. Place names. Names on Map D were holdovers from a conveniently available base map which carried names only for rough orientation, and, in the process, gave preference to those of towns on railroads. The name selection is admittedly arbitrary and improvable. In view of short deadlines and the presence of Map B as the primary map of Malaya, no recompilation of this aspect of Map D was deemed necessary.

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Enclosure:
GM 62-2 (Cy. No. 77)

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CIA/FR OM 62-2

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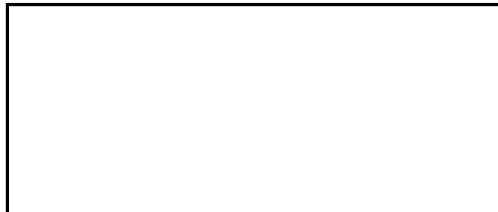
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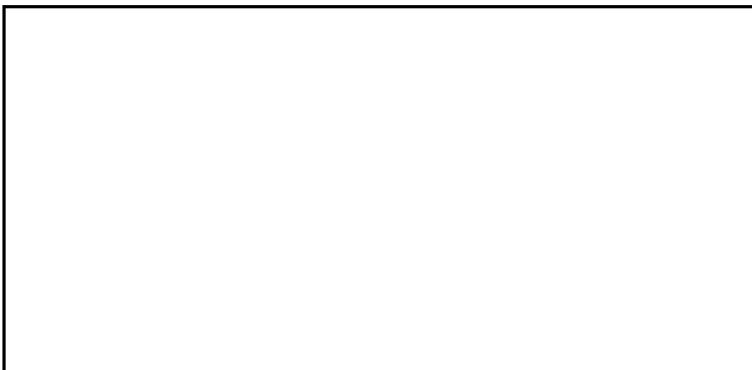
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TRANSMITTAL SLIP		DATE
TO: <input type="text"/>		
ROOM NO. GH-08	BUILDING Headquarters	
REMARKS: For your files.		
FROM: <input type="text"/>		
ROOM NO. 4F19	BUILDING Hdqs.	<input type="text"/>

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FORM NO. 241
1 FEB 55

REPLACES FORM 36-8
WHICH MAY BE USED.

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