

*Economic and Political*  
*Background to*  
**MALAYSIA**

E. L. WHEELWRIGHT & OTHERS

AN OUTLOOK PUBLICATION 2s.6d.

THE POLITICS AND ECONOMICS OF  
MALAYSIA

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with the assistance of  
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Another OUTLOOK publication: SOUTH AFRICA: A Survey by South Africans  
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Fund in Australia, Box 3316, GPO, Sydney.

OUTLOOK, the independent socialist review, is published bi-monthly, and  
is available on bookstalls (2/6) or 15/- p.a. from Box 368, PO, Haymarket,  
Sydney.

- 7 FEB 1986  
Perpustakaan Negara  
Malaysia

ORIGINS

Malaysia originated largely as a political device for dealing with Singapore's political problems, more specifically a device for suppressing Singapore's Left Wing. This proposition is openly accepted as true by people of widely differing political views in Malaya and Singapore, yet it is rarely emphasised in Australia. We are told that Malaysia will provide an area of stability in the area, a barrier against Communism, yet the main threat of instability and the danger of Communism came not from outside the area, but from inside, from Singapore. To appreciate the precise nature of the origins of Malaysia, it is necessary to recall the events of the last few years in both the Federation of Malaya and Singapore.

Federation of Malaya

The Federation achieved political independence in 1957, when the Communist rebellion had been defeated, and mopping up operations were in progress. The Malayan Government which took over from the British, was and is a right-wing nationalist government. The population of the Federation is 7½ million, 50% being Malay, 37% Chinese, and 11% Indian, and political parties tend to form along racial lines.

The Government is an alliance of three parties, the United Malays National Organisation (UMNO), the Malayan Chinese Association (MCA), and the Malayan Indian Association (MIA). The first two, UMNO and MCA, are the by far most important.

The three main pillars of UMNO are the feudal landlords who constitute the Malay aristocracy - the sultans; organisations of rather backward, tradition dominated Malay peasants and small holders, who are still intensely loyal to their feudal landlords; and the official religion Islam, which acts as a kind of social cement helping to bind the other two together.

The backbone of the MCA is the Chinese Chamber of Commerce, especially the rich Chinese merchants and financiers. The Government is thus largely an alliance between two controlling groups - the Malay aristocracy, and the Chinese capitalists; one providing the votes, the other the money. Not surprisingly such a Government is ultra-conservative, both politically and economically.

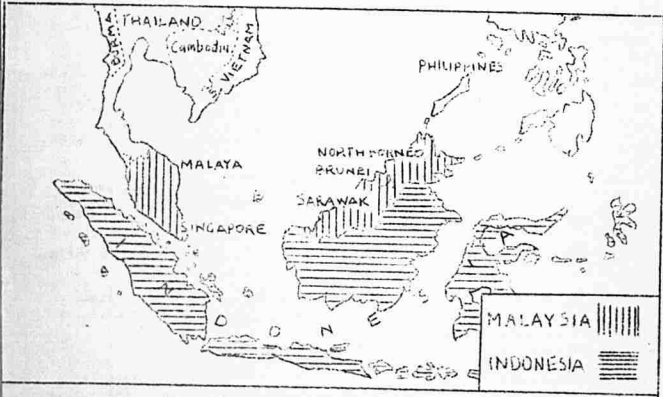
The wealth of the Federation is still based on rubber, tin and trading; most of the large rubber estates are still British owned, at least half the tin output is British owned, and most of the big trading and financial houses are still firmly in British hands, although since independence Chinese capitalists have developed their own trading and financial interests in competition with the British and have also bought out some British interests. Even in the small manufacturing sector, most of the larger enterprises are British, although there are very many smaller Chinese enterprises. Attempts are being made to expand the manufacturing sector by maintaining a climate attractive to foreign investors, and about half

of the capital of new manufacturing companies established in recent years is overseas capital - most of it British.

The currency system is still tightly linked with sterling through a Currency Board, and although a Central bank has been established in the last few years, it still does not have power to issue its own currency, although this situation is about to change. Not surprisingly, even the foreign investments that the Federation Government owns are in British gilt-edged securities.

Economic policy is still very much laissez-faire by 20th century standards and heavily private enterprise oriented. There is for example no unemployment pay as such, only an inadequate system of public relief, although rising unemployment and acute underemployment is increasingly becoming a severe problem. The population is increasing at 3% p.a., which is a very high rate, so that over half the population is under the age of 20.

There is little political opposition to the Alliance Government, which gained 73 out of the 104 seats at the 1959 elections; the press is by no means free, and the electoral situation discriminates effectively against the Chinese and Indians; about one third of the Chinese electorate is effectively disfranchised by various qualifications made necessary for



citizenship. Opposition parties are extremely weak, especially left-wing ones, which is understandable in view of the fact that undesirable political leaders can be arrested and imprisoned without trial. Persons so incarcerated are said to be "detained". At this time last year 18 persons were believed to be "detained" in the Tungku's prisons, but since then the numbers have increased substantially; some of them are very probably Communists, but whether they are or not can only be known to the Security Police and the Government. The laws under which people can be imprisoned without trial are, of course, a carryover from the days of the Communist rebellion, but this practice makes it very tempting for the Government to label all left-wing movements as Communist. To the conservative Malay leaders any left-wing movement is a political menace, a Chinese faction trying to win over the poorer Malays by playing on their economic backwardness; to the Chinese capitalists a left-wing movement is an economic menace, promoting militant unions and socialist ideas, and playing on the very real discrimination against the Chinese.

This then was the situation in the Federation in May 1961, when Malaysia was first mooted: a right-wing Nationalist Government had inherited a colonial economy from the British; it had not done very much to alter the basic structure of that economy, it was attempting to build a multi-racial society into a Malay nation on the basis of a synthetic capitalist economy in which British ownership and control was dominant. Political power was in the hands of the Malays, most of the police and armed forces were Malay, and British troops and bases were there at the request of the Malay Government. Economic power that was not in British hands was in Chinese hands.

Opposition to Government policies was emasculated; in particular Singapore, which before the war had been in fact if not in law an integral part of Malaya - its very heart politically and economically - had been hived off as a separate legal entity in 1948. That teeming city of 1 $\frac{3}{4}$  million people had in effect become isolated as a colonial city state, earning its livelihood as it always had as an entrepot centre of trade and commerce; it was 75% Chinese, which made it unacceptable to the Malay rulers of the Federation, whom the British had always favoured; and it was a hotbed of political ferment and discontent, with militant unions and socialist and Communist agitators, which made it doubly unacceptable to a Federation bent on building up a laissez-faire capitalist economy.

Until 1959, the problem of Singapore was not serious for the Federation, as it was still a British colony, and order was maintained by the British. But in 1959, after the usual series of agitations, strikes, riots and so on which appear to be the inevitable prelude to the relinquishing of imperial power, Singapore achieved its independence, although defence and foreign policy remained in British hands.

### Singapore

In the 1959 elections, the People's Action Party, known as the PAP, led by Mr. Lee Kuan Yew, swept the polls; at that time it had a very strong left-wing base, especially in the unions, without which it could not have

achieved power. A substantial part of that left-wing base was undoubtedly Communist inspired and organised, although the Malayan Communist Party has been illegal for a long time. The PAP played a part in the agitation, strikes and riots in 1956-57, which were the prelude to independence, and some of their leaders were imprisoned. Lee Kuan Yew was not among those imprisoned, and to his credit, when the PAP won the elections he refused to take office until the PAP leaders were released. They were released, but having been in prison they were precluded from standing in the election, and were prevented from standing for office for a period of five years.

It was not an easy position for a Socialist Party, to be in internal control of a city state, but with no control over defence and foreign policy, with a large British base there, and not much industry to socialise except banks, insurance companies and import-export houses, which had most of their financial assets held overseas anyway.

Yet there were enormous problems to face, of poverty, growing unemployment, rapidly increasing population (4% a year) and the re-integration with the mainland, because Singapore could not exist indefinitely by itself. Immediately, there were stresses and strains within the Party. Although possessing an overwhelming mandate for radical social and economic change, the leaders got cold feet; they did little to improve the economic lot of the mass of the people during the first two years of office, although in 1961 they did launch a massive low cost housing programme which is quite impressive. But there were conflicts over policy, the left wing wanting to establish publicly owned enterprises, the right wing seeing private enterprise as the way of industrialising Singapore, and extricating it from its growing unemployment problem.

There were conflicts over the control of the party, the leaders doing their best to control from above, because control from below, through the branches, was firmly in the hands of the left wing. In the middle of 1961 the split came; the left wing broke away, forming its own party, the Barisan Socialists (the Socialist Front). Some were Communists, but by no means all - some were socialists who were disgusted at what they felt was the arrogance and betrayal of their leaders.

As a result of the split, Lee Kuan Yew was left with a majority of one, and at any moment a by-election could topple him from power, leaving the left wing in control. The breakaway was marked by strikes, violence, and a split in the trade unions.

Thus, having lost its left-wing base, the PAP became a hostage of the right. To maintain his position Lee Kuan Yew had to seek other allies, for elections were not due until 1964, and it was doubtful whether he could last as long as that.

#### Malaysia

At this point Malaysia comes into the picture. The idea had been sporadically discussed for years, with various regional groupings; the PAP had always realised that merger with the Federation was essential

- the only point at issue was on what terms. But no concrete proposals had been made about merger, and the Tunjku had not been very receptive up to this point; he was not very interested in absorbing the left-wing oriented Singapore.

But now it was different, for the left wing had been sloughed off and the moderate right wing was in control, and prepared to make considerable concessions. If however the Tunjku did not respond quickly to Lee Kuan Yew's overtures, then the left wing could easily come to power and the Federation would be faced with a Singapore controlled by real Socialists. But the job must be done quickly, for Lee's position was precarious, elections were due in 1964, and - most important - discussions about Singapore's constitution, and the British control of defence and foreign policy were due in June, 1963.

Speed was essential for Lee also, because his only hope of political survival was to crush the left wing, his former comrades in arms. Once Singapore became part of the Federation, it would be much easier for him to have a Federal authority deal with them, in the way that the Federation had already dealt with its own political opposition; this way imprisoned opposition leaders could not claim martyrdom, as they could if the British were still in control of Singapore's internal security.

But as far as the Tunjku was concerned, there was one major stumbling block - the fact that Singapore was predominantly Chinese; its inclusion in the Federation would alter the racial composition of the enlarged area, for it would make the Chinese numerically the largest group, slightly larger than the Malays. The situation could be retrieved to some extent by also incorporating predominantly non-Chinese areas into a greatly enlarged territory of Malaysia, and weighting their voting power against Singapore.

This is the real genesis of Malaysia; the other territories of Sarawak, Brunei and N. Borneo were to be brought in as a make-weight against Singapore, and for no other reason. Their eligibility for Malaysia hinged on the fact that their combined population totalled 1.3 million, of which 900,000 were non-Chinese. These would not quite counterbalance the 1.2 million Chinese in Singapore, in fact the Malays would be in a minority of 46% in Malaysia,\* but a little electoral manipulation could easily offset the discrepancy, as will be seen.

In fact the Tunjku said that these were the reasons for Malaysia. In a speech on May 27, 1961 (Straits Times, 28th May, 1961) he first suggested the grouping of Malaysia, when he knew of the split in the PAP; on 16 October, 1961, in a speech in the House of Representatives, he said (Straits Times, 17th Oct. 1961):

"The division of the two territories might be all right at the moment when Singapore was still under the control of Great Britain, as the security of the island was in the hands of the U.K. Government, in other words in safe hands, but a time would come when Singapore would ask for and be given independence, and that time is not far off, for new talks on the Constitution are to be held in 1963."

\* if "other indigones" are counted as Malay, if not then 39%. See Appendix B.

On March 11, 1962, he said (Straits Budget, 21st March 1962):

"We can all see the threat of the Communists. If I did not see this danger I would not be bothered with the other territories like Singapore, Sarawak, Brunei and North Borneo."

So the job had to be done quickly, both to preserve Lee Kuan Yew's position and to avoid the danger of Singapore becoming independent in defence and foreign policy, in hands hostile to the Federation, in 1963.

#### Cobbold Commission

Hence the urgency of the Cobbold Commission, sent to dragoon Sarawak and N. Borneo into joining Malaysia. This Commission visited these territories in January 1962, and reported in August 1962; it was stacked from the beginning - its members being -

1. Lord Cobbold, Chairman, former Governor of the Bank of England.
2. A former British Governor of Sarawak.
3. A former British Chief Secretary of the Federation of Malaya.
4. A Malayan - Chief Minister of Penang, Federation of Malaya.
5. A Malayan, Permanent Secretary, External Affairs, Federation of Malaya.

This was an "Establishment" Commission if ever there was one. On the strength of interviewing about 4,000 people, it concluded that -

1. About one third of the population in each territory favoured Malaysia strongly.
2. Another third were in favour, but required conditions and safeguards.
3. Of the remaining third, some wanted independence first, others the continuation of British rule. About 20% opposed outright, unless independence came first.

#### Singapore Referendum

No referendum was held in these territories, but if that held in Singapore in September 1962 is any guide, it is just as well. It was dishonest and unprincipled; tremendous pressure was brought to bear on the population, through government controlled media, and there was no clear idea of the terms on which Singapore would join. There was no opportunity to say whether one wanted to join Malaysia or not; the citizens of Singapore were given a choice of

1. Merger with the Federation on the Singapore Government's terms.
2. Merger on the same terms as the States of the existing Federation.
3. Merger on the terms offered to the Borneo territories.

Either of the last two options would have disfranchised half the citizens of Singapore, and the referendum degenerated into a wrangle about the terms and conditions under which existing citizens of Singapore could become citizens of the new Federation. At public meetings Lee Kuan Yew threatened the citizens that if they voted any other way than option one, they might



lose their citizenship and face deportation to their country of origin. To make sure of the required result in a city in which nearly half of the population is illiterate the symbols used were -

- |        |    |   |
|--------|----|---|
| Option | 1. | Singapore flag                            |
| "      | 2. | Flags of certain states in the Federation |
| "      | 3. | Flags of Borneo territories.              |

Obviously the populace was more familiar with the Singapore flag than with any other, but to make doubly sure it was announced that any blank votes cast would count for the Singapore Government's proposal.

Faced with such legerdemain, the opposition to Malaysia could only exhort its supporters to cast blank votes; in the event  $\frac{1}{4}$  of the votes were cast for the Government proposal, and almost  $\frac{3}{4}$  were blank votes.

At political rallies during the week of the referendum, PAP leaders openly boasted that if the opposition to Malaysia (mainly the Barisan Socialist Party) did not behave themselves, and continued to oppose, their leaders would be jailed. This was not an idle threat, for in February of this year about 120 of them were "detained" without trial, on the grounds of preparing protests and demonstrations against Malaysia, and of alleged links with the Brunei rebels.

In these circumstances it is not surprising that Lee Kuan Yew won the recent elections in Singapore (21 September), for most of the leaders of his main opposition were in prison; he gave only 9 days formal notice of the election; he spent the preceding weeks visiting every one of the 51 constituencies, speaking as Prime Minister on the Malaysia issue, and made massive use of the Ministry of Culture to spread Government propaganda. Consequently he turned an electoral stalemate of 25:25 (one seat vacant) into an electoral victory of 37 seats out of 51.

### Electoral Manipulation

Not long after the Singapore referendum the number of seats allotted to the Borneo territories was announced, at the end of 1962. Sarawak and N. Borneo, with a total population of 1.3 million, are to have 40 seats in the new Federation of Malaysia; this compares with 15 seats for Singapore with a total population of 1.7 million. Thus Sarawak and N. Borneo together are to have more than double the Singapore representation, although they contribute less to the total population, trade and revenue than Singapore. This must be a record gerrymander, even for S.E. Asia.

Such are the workings of democracy in this part of the world; in the sacred name of anti-communism, anything goes. The recipe for electoral success is simple; just rig the electorate in your favour, imprison the leaders of your main opposition, and then use the government apparatus for propaganda purposes. With such a recipe it is difficult to lose an election.

### Reactions in the Borneo Territories

The protectorate of Brunei is the smallest territory, with a population of

only 83,000, nearly  $\frac{2}{3}$  being Malay, the rest mainly Chinese. It is the richest territory of the three, because of its oil production; it has considerable oil revenues and foreign reserves in excess of £80m sterling, invested in British gilt-edged securities.

In 1959 Brunei became a self governing territory, with Britain retaining control over foreign affairs and defence; in August 1962 the first elections (indirect) were held for 16 of the 33 members of the Legislative Council, the other seats being nominated. The Malay Socialist Party, led by Sheik Azahari, an Indonesian educated leader, won every elected seat. This party, unlike the Sultan of Brunei, was not sympathetic to the Malaysia proposal, and opposed it. Fearing a fait accompli by the Sultan, the party, directed by Azahari in Manila, organised an armed rebellion last December. Evidence of popular support may be gleaned from the necessity to "detain" 10% of the adult Malay males, 70% of all Public Works Department employees, and the comment of a British Commander that for some time he was sure "we were fighting on the wrong side". (see Michael Leigh "Borneo into Malaysia", in Dissent, Spring, 1963). The revolt was suppressed by British troops, the party proscribed, and the Sultan ruled with an Emergency Council. All opposition in Brunei has since been muffled.

Brunei has not yet joined Malaysia, probably because of bargaining over the future ownership of the oil revenues and foreign assets, and the ranking which the Sultan will have with the Sultans in the Federation of Malaya. (Rumour has it in Malaya that the Sultan of Brunei may be persuaded to hand over the £80m sterling in exchange for the Kingship of the new Federation, as in Malaya the King is elected by the Sultans every five years.)

#### Sarawak and North Borneo

The first reaction to the Malaysia proposals was unfavourable; in fact two leaders, Donald Stephens in N. Borneo, now called Sabah, and Ong Kee Hui in Sarawak joined with Azahari in publishing a statement rejecting the proposal, calling for elections in the three territories, and proposing a constitutional association between them as an alternative to Malaysia.

Before the Malaysia proposals, political consciousness and activity in these territories was on a low level, each was preparing for participation in the next modest instalment of self-government, in the slow transition from colonial rule to independence. In North Borneo, with a population of 454,000, of which 23% are Chinese, the literacy rate was 24%; in Sarawak, with a population of 744,000 (31% Chinese) the literacy rate was 25%; these rates were less than half those prevailing in Singapore and Malaya. However, the literacy rate for the Chinese population in both territories was 53%, compared with under 20% for the Malay population; in short over half of the literates in each territory were Chinese, although in each case the Chinese were in a definite numerical minority. Hence it is not surprising to find the Chinese community as the most vocal and the most politically active.

In May 1961, when the Malaysia proposals were first made, there were only three political parties in these territories, the Malay Socialist Party of Brunei, already mentioned; the Sarawak United People's Party (SUPP), left

wing and mainly Chinese, formed in 1959; and the Party Negara (1960) a Sarawak Malay party, strongly anti-communist and devoted to the protection of indigenous rights and privileges. North Borneo had no political parties at all.

The Malaysia proposals caused an explosion of political activity; within six months about a dozen new parties were formed, most of them crystallising along racial lines, similar to those in the Federation. There was intense lobbying from the Federation, which softened up some of the original hostility to the proposals. Generally the Chinese were the main opponents of Malaysia, primarily because they feared discrimination, and domination by Malays, and were opposed to the imposition of Islam as the official religion; the Malays and other indigenous races were won round to support Malaysia.

The Brunei revolt provided the Sarawak government with the pretext to close the three Chinese language left-wing newspapers, and arrest 50 of the leaders of SUPP; some expect that with the advent of Malaysia, SUPP will either be banned or emasculated by further "detentions". Despite the arrest of its leaders, SUPP gained 24½% of the votes in the June 1963 District Council elections, sweeping the polls in the three main towns and their environs - all predominantly Chinese. The Alliance Party won 31% and with Independents 30%, will form the Government, with a congenial though illiterate Dayak as the first Chief Minister. The SUPP will form the main opposition.

### The Indonesian Reaction

The full text of the official Indonesian view was published in the June 1963 issue of Outlook; relevant extracts from it are reprinted below:

"This master idea of Malaysia would benefit Malaya in the following senses:

Firstly, the majority of the Malay people would be preserved.

Secondly, it would overcome political difficulties in Malaya itself, because there are internal political controversies there, of which the influence of Barisan Socialis in Malaya (mostly Chinese) is an example. Political instability in Malaya will affect only the present Government.

Thirdly, there is the possibility of gaining more territory, with the support of the British authority in North Borneo, and consequently the increased international standing of the leaders.

And last, but not least, it would rally the opposition against Communist domination by way of Singapore.

For the British, the advantages are also immense:

First of all, they could embark on a policy of de-colonisation, according to the spirit of our time, while in the meantime, as I stated above, they could maintain their economic as well as their strategic positions. Their strategic interest would also strengthen their defences against Communist infiltration.

These are, to my mind, the basic merits of Malaysia for its chief

"architects.

But, in my view, for a nation of whose composition racial elements are so strong, it is debatable whether a sound policy is served by stressing the imperative condition that one racial group should emerge as the majority, at least numerically. Remembering, however, that the social, historical, cultural conditions of the Malays and the Chinese are very different, this condition that one racial group should be in the majority is not at all conducive to the fostering of a national idea where descent does not count; it could eventually lead to resentment, because of frustration, on the part of minority groups.

Indonesia's moral support for the revolt is based mainly on its analysis of the situation as explained above, but is also conditioned by what we call a 'constitutional policy', namely, our desire to give political support to peoples in their effort to free themselves from colonial domination.

In this context, may I refer also to the position of the Philippines, whose claim must concern the chief architects of the Malaysia idea much more than anything else. It is a claim on a territory of the proposed federation, namely, the territory of North Borneo, to which - so the claim reads - the Philippines has an historical and legal right. Indonesia's support, on the other hand, bears no claim nor commitment at all, and is moral in its nature. But, as events have shown, the outburst of the Malayan Prime Minister was directed against Indonesia. This fact only indicates to us that he is using this opportunity to express his antipathy to Indonesia, but maybe also stems from his desire to be the spokesman of some circles abroad who share his feelings and who are, in this respect, very sympathetic towards the Malayan Prime Minister. This situation will undoubtedly enhance the Prime Minister's international standing as a champion of views which those circles abroad think are right.

#### Indonesia & Malaya

That this feeling of antipathy is not of recent making is known to us. It dates back to 1957, when the Malayan Government, as a result of political events in Indonesia, considered the situation not conducive to good relations between Indonesia and Malaya and felt it must act accordingly. This occurred when some Indonesian leaders, who undoubtedly had the sympathy of the Malayan Government, were in opposition in Indonesia as a result of the general election in 1955. In their conduct of opposition these leaders used extra-parliamentary procedures, their opposition in Parliament itself having proved ineffective, as a result of their failure to rally sufficient votes. This opposition later found its climax in the 1958 rebellion in Central Sumatra and North Celebes. And many of these leaders later turned out also to have been the leaders of that rebellion.

It was at that time that many Indonesians began to wonder whether the parliamentary procedures as practised by the West were the appropriate ones for Indonesia. Events following the 1955 election showed that extra-parliamentary procedures were effectively applied to harass the effective running of government, and by doing so it prevented the creation of the political stability previously envisaged. Several arguments were used at

"that time by the leaders of the opposition, and later of the rebels, to discredit the Central Government. First of all the argument was raised of the problem of central authority versus the regions, and later the issue of Communism versus anti-Communism. It is a fact of history that the foreign press was very eager to convey to its readers its ideas concerning the aims of the rebellion. It is very easy to draw the conclusion that, as a matter of fact, the Malayan Government at that time, represented more the opposition mind in their attitude towards the Indonesian Government. From this it is also understandable that when rebellion actually broke out in 1958, Malaya-Singapore offered travel and residence facilities towards these leaders. This in itself already constituted an unfriendly act and an active assistance towards the rebellion, which is unparalleled if compared with what happened in Brunei. As events have turned out, some of those leaders are being used at the present moment in Malaya's efforts to thwart Indonesia's views concerning Malaysia. The desire to maintain friendly relations at all costs prevented the Indonesian Government from taking any active stand towards Malaya in the 1958 rebellion.

Besides these facts, Malayan unfriendly policy has sometimes been clearly illustrated in a way which is all too clear, namely, for instance, in its disregard of respect towards Indonesia, as its closest neighbour. Let me illustrate this by mentioning two events. In the Spring of 1960, the Tengku, in his efforts to settle the West Irian dispute, made a statement with the Dutch Foreign Minister without Indonesia being consulted. On another less important occasion, namely, the formation of the Association of South-east Asian States, the Tengku stated that Indonesia would join the association - without even taking the trouble to consult Indonesia.

Underlying these events, and to give you a basic knowledge of the problem, allow me to illustrate differences in political outlook of the two nations:

First, the historical backgrounds of the independence movements of the two countries are different. Indonesia had a long-standing independence movement, long before the second world war. Its leaders are rallied mainly from that segment of society whose interests are not identified with those of the politico-economic colonial regime, but on the contrary are mainly against the status quo. Colonial policy as pursued by the then colonial power was of a kind which suppressed, rather than accommodated, the national movement. This policy was even continued after the second world war, and it was only after a tough struggle lasting for four years (1945-49) that we attained freedom for our country. This historical experience explains why Indonesia's nationalism is more volatile, more dynamic, and the attitude of Indonesia towards its former master (vice and versa) more clouded by sentiments. The problem of West Irian and the hard and costly struggle to regain that territory increased, rather than softened, this attitude.

Accordingly, also, Indonesia's political, social and economic ideas are not conditioned by the interest of the past colonial regime, since this, in its core, was the interest which was opposed by the Indonesian independence movement. Therefore, Indonesian opposition towards colonialism is more outspoken and forms a constitutional policy in Indonesian political life.

" In this context only can we understand the full meaning of our President's statement that 'Indonesian independence was not born in a moonlit night'. This is an expression without any other aim than to state our personal and national experience.

Secondly, as I stated earlier, Indonesia's political, social and economic policies are not conditioned by the interest of the colonial regime. Therefore, the course taken by Indonesia in its social ideal is also outspoken, namely, Indonesian Socialism. This is contrary to Liberalism, which in our experience takes the form of a colonial regime and which in the past caused a great deal of suffering.

Thirdly, Indonesia's aspirations in the international sphere are also quite different. It does not belong to either group in the cold war, but follows what we call an independent and active foreign policy. We do not have in our territories military bases, personnel or other military commitments under any military agreement or arrangement.

These are some of our aspirations, and because of them we are much criticised and misunderstood, and, through world media, we experience a 'bad press'. But these experiences only convince us that our journey's end is still far ahead. Our experience during the short history of our nationhood has been that we have to learn the hard way. We know that we disagree on so many points with so many people, including our neighbours; but an antipathy so outspoken as that of the Tengku concerns us the more, because of the basic manner in which we differ from each other and the closeness of our territories, which means that Malaysia might be an ideal operations base for all elements which are not all too friendly in their attitude towards Indonesia, as shown in the 1958 rebellion.

Therefore, to see the Indonesian doubts concerning Malaysia as a Communist-inspired policy is not correct, as stated by our President. Our Foreign Minister clarified the point when he said that Indonesia wanted to know the exact terms as to the aims of the Federation, besides seeking assurances that the federation should not be used as a basis for subversive activities against Indonesia.

The pending top level discussions must be seen in this context, also, because ultimately the stability of the South-east Asian area is the prime responsibility of the countries in the area concerned. Each country, so to speak, must be involved and have a stake in the stability of the area. Consequently, problems arising in that territory should be solved - as one press editorial in Indonesia put it - en famille, namely, in the spirit of co-operation, born out of the belief in the preservation of common interests of outsiders, no matter how well-vested and temporarily advantageous a certain idea may be.

Wise statesmanship should prevent the high-handed handling of security problems as shown in the present scheme, only because a strong power backed that idea. Also, any disregard of what other countries' interests and views are is surely not conducive, in the long run, to the stability of the area as envisaged. Indeed, the reverse might happen if those interests are not properly accommodated and preserved, for any such procedure might tend to disrupt, rather than to promote, the existing stability. That those interests can be mutually promoted in a peaceful

"way, which will foster mutual understanding, has been shown clearly at the Manila talks between Indonesia and the Philippines.

It is certainly not correct to assume - as one Australian newspaper put it - that all events in South-east Asia should have first the 'green light of Indonesia'. But the fact remains that Indonesia, with its 100 million people, and with its own aspirations, is, and considers itself to be, in South-east Asia.

And to qualify this nation as 'non-existent' is surely contrary to the reality, even though this attitude may be very convenient for those who are used to thinking that the only right idea is their own.

(Canberra, 8 April 1963) "

It is clear that the Indonesian viewpoint is compounded of several factors, the most important of which may be listed as follows:

- i) Indonesia carried through an anti-colonial revolution by force of arms. It is by far the largest Malay nation in the area, and regards the Tungku's 10 million Malaysia as something in the nature of an insult to Malays generally, especially as it is only 40% Malay. The name chosen - Malaysia - is of significance here, for the new grouping leaves out the two most populous Malay nations, Indonesia and the Philippines.
- ii) It is pledged to some form of socialism, and regards itself as the only genuinely independent, non-aligned nation in the area, accepting aid from both cold war blocs, but tolerating the troops and bases of neither. It sees the Tungku as the agent for British neo-colonialism in the area, as the pawnbroker of the flag-end of British imperialism in S.E. Asia. It considers that Malaysia can only be maintained in existence by force of British arms; to the north it sees British bases in Singapore, on its own borders in N. Borneo it sees British troops, and to the south it sees Australia aligned with Britain. Rightly or wrongly, it sees these British dominated areas to the north as a threat, particularly as in the 1958 civil war in Indonesia some support and assistance to the rebels was provided from Singapore, and Penang. Also to the Permesta rebels in the Celebes, aid came from the N. Borneo part of Tawao in the form of arms and other supplies.
- iii) Indonesia does not like the Chinese in its own country; it regards them as exploiters, only one remove from the Western imperialists. It fears a Chinese-dominated Malaysia, especially as the Chinese constitute the largest single ethnic group (42%); in particular as Indonesia recognises the People's Republic of China, and not Formosa, it fears that as left-wing Chinese interests in Malaysia will be suppressed, the right wing will be in ascendance, and will be Formosan-oriented. Thus the forces representing the Chinese capitalist rump in the area will be strengthened.
- iv) Indonesia believes that it should have a major say in this part of the world; at the very least it believes that it should have been consulted about Malaysia from the beginning. It is opposed to decisions in the area being taken by an imperial power 9,000 miles away in London, for Britain backed the whole operation, which could not have gone through without full British support.

In short, what it is in fact attempting to do is to declare an Indonesian "Monroe Doctrine" for this part of S.E. Asia.

#### Reaction in the Philippines, Maphilindo, and the U.N. Survey

The changes in the attitudes of the Philippines, and in its foreign policy are one of the most remarkable features of developments in recent months. The reasons for its attitude to Malaysia are not quite clear, but seem to derive from a fear of a Chinese dominated Malaysia, coupled with a resentment at S.E. Asian affairs being manipulated by a European power. Whatever the reasons, the new attitude is very significant; this is the first time that the Philippines has taken sides actively in a specifically Asian conflict, the first time she has shaken off American tutelage in foreign affairs. The effect of this on the younger generation of Filipinos, and on the intellectuals in particular, is considerable, and probably marks the end of the Philippines' former isolation from Asia; her joint confrontation of Malaysia with Indonesia might well spell the end of SEATO for all practical purposes, for Britain is supposed to be her ally in SEATO. But with both the Philippines and Pakistan as very lukewarm participants, the only 'firm' Asian power remaining will be Thailand.

#### Maphilindo

Indonesia and the Philippines attach much greater importance to the Maphilindo agreement than is generally realised in either Australia or the U.K. There is a common ethnic stock in all three countries, and they envisage the agreement as the only way of ensuring Malaysian dominance in the region, both against internal Chinese business acumen, and against outside cold war pressures. They also believe considerable economic advantages would result, as the three countries are now competitors in the production of certain raw materials; Malaya and Indonesia compete over rubber and tin, the Philippines and Indonesia over copra, and some form of economic association would enable them to be in a stronger bargaining position with consuming countries.

They believe that Britain, by pushing the creation of a Malaysian rump of 10 million people in its own selfish interests, has torpedoed the possibility of a much larger Malaysia of 135 million. According to the Manila Agreement between the three heads of the Governments concerned, there was much common ground between the three countries; they were agreed on the basic issues involved in Maphilindo, machinery was to be set up to implement it, and the Tunku's Malaysia was to be recognised by Indonesia and the Philippines as the first step on the road to an association of the three territories. At the same time the three heads of Government requested the UN to ascertain the wishes of the people of the N. Borneo territories before the establishment of Malaysia.

Indonesia and the Philippines believe that Britain interfered with both these arrangements, and in fact prevented the Tunku from implementing them; hence their hostility to the U.K.



United Nations Mission

At the Manila Conference, the three heads of Government requested U Thant to ascertain the wishes of the people of Sabah and Sarawak, prior to the establishment of Malaysia, within the context of General Assembly Resolution 1541 (xv) principle 9 of the Annex, which says:

Integration should have come about in the following circumstances:

- a) The integrating territory should have attained an advanced stage of self-government with free political institutions, so that its peoples would have the capacity to make a responsible choice through informed and democratic processes.
- b) The integration should be the result of the freely expressed wishes of the territory's peoples, acting with full knowledge of the change in their status, their wishes having been expressed through informed and democratic processes, impartially conducted and based on universal adult suffrage. The UN could, when it deems it necessary, supervise these processes.

The UN Mission can only be described as a farce. In his report U Thant admitted that the time was too short, that the observers requested by Indonesia and the Philippines were delayed, and that it was unwarranted for the Tungku to fix September 16 as Malaysian Day, whilst the UN team was still at work and its report unformulated. In addition it appears that the whole thing was stage managed by the British Colonial Governments; the UN team had to rely on the administrative machinery of these governments for their transport and the arrangement of facilities of investigation. For example, opinions had to be sought by the UN team in meetings organised by the Colonial Governments, which themselves were strongly pro-Malaysia, and which had in some cases previously organised campaigns on the radio and elsewhere in its favour.

It is doubtful, therefore, whether the conditions in these territories complied with the relevant UN resolution, also bearing in mind that before 1961 there was no political party in N. Borneo, and that in Sarawak the major party opposed to Malaysia had been emasculated by the detention of some of its leaders, and the suppression of the press. It is certainly a travesty of the real situation to say, as Mr. McEwen did, that "there is now a new and free state which has been formed under the scrutiny of the United Nations". (Hansard, 25 Sept. 1963, p.1371)

"Synthetic Malay Capitalism is Not the Answer"

Ungku A. Aziz, Professor of Economics  
in the University of Malaya, in *Ekonomi*,  
Journal of the Economic Society, Dec.,  
1962. (p.23)

PART II - ECONOMICS OF MALAYSIA\*

The primary objective of Malaysia is political, but the economic unification of the territories concerned raises some complicated problems. To assist in their solution the Governments of Malaya and Singapore requested a Mission from the World Bank to investigate and report. This Mission, under the chairmanship of Jacques Rueff, visited the Malaysian territories earlier this year, and issued its report in July. It arrived at three broad conclusions: that greater economic diversification is essential, that a common market would be a major stimulus to diversification, especially for domestically produced goods, and that there will be a need for co-ordinated development planning if the economic potential of Malaysia is to be realised.

The colonial legacy

The component territories have much in common, but many dissimilarities. They are all ex-British colonies, they share a common currency system, and they have similar institutions, but they are at substantially different stages of economic and social development, with considerable differences in natural resources. They all bear the stamp of their colonial origin. Malaya, even six years after independence, is still almost a classical case of a colonial economy, the distinguishing characteristics of which are a heavily oriented export economy, with concentration on one or two products, rubber and tin accounting for over 80 per cent. of export income; a large proportion (60 per cent.) of the work force engaged in primary industry, most of which is in subsistence agriculture; a poorly developed manufacturing sector (6 $\frac{1}{2}$  per cent. of the work force) and a proliferation of trading and financial houses for handling the export trade and distributing the imports. The Malayan dollar has been tied to sterling on what was virtually a gold standard system; the new central bank still has no power to issue Malayan currency, although this system is about to change; but hitherto there was no means of offsetting a fall in export income - if it fell, then internal incomes dropped, liquidity was curtailed, and imports reduced. Add to this the fact that over half the rubber and tin output, most of the import-export agencies, banks and insurance companies, and the largest manufacturing firms are in British hands, and the picture of a colonial economy, funnelling out the raw materials of the country and providing a market for the manufactured products of advanced countries, is complete.

Malaya and Singapore have the highest living standards in South East Asia, despite the fact that great wealth has been extracted from the area. There are however tremendous inequalities in income; the whole North East area for example is extremely backward and poor, consisting mainly of Malay peasants engaged in subsistence agriculture. Generally, the Malays are the poorest by far, although a few - the feudal aristocracy, the Sultans and their entourages - are very rich; the Chinese, who are concentrated in the towns and predominate in commerce, trading and manufacture, are better off, but there is a large Chinese commercial and industrial proletariat and quite a number of very wealthy Chinese merchants and financiers.

\* Part of this was published in Nation, Oct. 5, 1963, and is reprinted here by permission.

### Singapore

Singapore, which had been an integral part of the Malayan political economy before the war, was hived off politically in 1948, and is now to be integrated again; it is the largest single funnel to the whole area, the major port through which the produce of the area is shipped out, and imports of manufactured goods brought in. In pre-war days it provided this function, with all its ancillaries of marketing, warehousing, processing and financing for the greater part of South East Asia, but with the emancipation of colonial territories, the emergence of independent nations who want increasingly to handle their own trade, the entrepot function of Singapore has stagnated. Nevertheless, Singapore's external earnings are mainly derived from entrepot activities, and from expenditures by British armed forces who man the base, estimated to cost Britain over £40 million sterling a year. The dependence of Singapore on trade is illustrated by the fact that 70 per cent of its work force is employed in tertiary activities, mainly commerce, transport, storage and other services; only 14 per cent is engaged in manufacturing. Singapore is by far the richest of the territories of Malaysia, but at least a quarter of its population exists in poverty, two-thirds are badly housed, it has official unemployment of 50,000 - the real figure must be at least twice this - and considerable underemployment of many thousands more. Yet it probably has more millionaires per head of population than the USA ever had.

### Borneo Territories

Of the Borneo territories, the tiny state of Brunei, with 83,000 inhabitants which was included in the original Malaysia proposals, is by far the richest it has not yet joined however, and the delay is believed to be over the control of its oil revenues, and the status of its sultan who controls them.

Sarawak has a larger population than North Borneo, but is substantially poorer, and will probably be the claimant state of Malaysia. Both have over 80 per cent of their work force engaged in primary industry, Sarawak's main export being rubber, while the mainstay of North Borneo is timber. Both these territories are economically and socially very much more backward than Malaya or Singapore; for example the World Bank report estimates that the average per capita national income in Sarawak is about 550 Malayan dollars, compared with 700 in North Borneo, 800 in the Federation and 1,300 in Singapore, and it is known that literacy rates in the Borneo territories are 25 per cent compared with about 50 per cent in Malaya.

There is however a broad similarity in the racial groupings of the territories, apart from Singapore, which is three-quarters Chinese. Malaya has 37 per cent Chinese, Sarawak 31 per cent, North Borneo 23 per cent, indigenous populations of Malays, Dayaks, Dusun, make up the rest, except for 11 per cent Indians and Pakistanis in the Federation. Also, broadly, there is a similar ethnic occupational grouping, the indigenous population being mainly engaged in agriculture, forestry, hunting or fishing, and the Chinese being concentrated in the towns, engaged in commerce, trading and manufacture.

### Common Economic Problems

They all face the same economic problems, which are common to undeveloped countries, diversification of the economy, less reliance on particular exports which are often falling in price on world markets, and the problem of finding adequate employment for a rapidly increasing population. These four territories are attempting to deal with these problems in the same way, by trying to build up their inherited colonial economies into miniature capitalist systems, with private enterprise as the main driving force; this is not surprising, as the whole object of British policy in the area has been to try to hand over the government of nearby independent territories to those groups which are strongly wedded to private enterprise, and which will not be hostile to British investments in the area.

The directing force will come inevitably from the Malayan peninsula, which has already engaged in its own development programmes. The approach to these problems is conditioned by politics, ideology and the social attitudes engendered in a multi-racial society. As the main objective of Malaysia was the political one of countering the accession of Chinese voters from Singapore, by bringing in non-Chinese voters from the Borneo territories and giving them more than double the representation of the Singapore Chinese, it is a safe assumption that political power will remain in the hands of the Malays. If it does not, Malaysia will be a political failure, at least from the Tunku's point of view.

### Dilemmas of Development

The attitudes of the ruling group in Malaya inhibit economic developments in several ways. A good example is the rubber problem. Long term prospects for rubber are not good; the price is now down to 70 Malayan cents a pound, ten cents below the level which provides the basis for the current so-called Five Year Plan. The price is expected to fall further, as a result of competition from synthetics; but extensive research into rubber growing has brought new high yielding varieties which would enable growers, if they are efficient, to produce profitably at 50 cents a pound, and even lower. Unquestionably the most efficient way of growing rubber is on the large well capitalised estates, yet the government does not look on these with favour, and is pressing ahead with the costly creation of a prosperous peasantry, intended to cultivate a minimum of ten acres. The reason for the inhibitions about large estates is that, on the basis of private enterprise, these would inevitably be owned and organised either by Europeans, as in the past, or by Chinese capitalists. There is no Malay middle-class or bourgeoisie in Malaya; there is the aristocracy, government servants, and the mass of the peasantry, with nothing in between. That is, part of the class structure has solidified along ethnic lines.

The same dilemma is most pronounced in the field of industrial development, which is crucial for the provision of employment, especially in the cities. The population is growing at over 3 per cent a year and the age structure is such that each year there are now 50 per cent more new job-seekers than was the case several years ago. So far industrialisation has been a cinderella, and the World Bank Report correctly notes that "a rapid

expansion of manufacturing is overdue."

Where are the industrial entrepreneurs to come from who will carry through industrialisation on a private enterprise basis? Most of the existing entrepreneurs are accustomed to trading and merchanting. They are merchant capitalists and not industrial capitalists; they know little about industrial organisation and management and do not like to tie up their money as fixed capital for long periods.

The problem is to channel capital funds which become available in other sectors of the economy into industry. This is bound to be a slow process, and is complicated by the fact that the Chinese, in their capacity as capitalists and proletariat, are again the only ones who can undertake it on a private enterprise basis. The Malay administrators are aware of this and their policy is to favour overseas private enterprise, on which they believe they can put pressure to employ and train Malays, and to reserve a part of their share capital exclusively for Malay investors. Accordingly, about half the new capital that has gone into industry in the last few years has been overseas capital, but there are few signs of Malays in industry, or as investors.

#### Tariff Protection

A further complication is the protection of local industry. Some progress has been made here, although quite inadequate, as the World Bank Report observes. The government has been curiously reluctant to impose protective tariffs; several reasons can be suggested -

- (1) Pressure from the powerful rubber lobby, which does not want any increase in the cost of imported goods to force up wages in a labour intensive industry like rubber.
- (2) Pressure from the big importing houses who see local manufacture as a threat to their lucrative agencies.
- (3) Reluctance on the part of a very conservative Treasury to impose a protective tariff, which if really effective would reduce the receipts from what is still largely a revenue tariff.
- (4) Reluctance on the part of the Malay administration to raise the cost of imported goods to the Malay peasantry, when the intermediate beneficiaries would be Chinese or overseas capitalists in the towns, and Chinese industrial workers.

In Singapore there is no racial problem, but there is conflict between trading as a free port, and industrialisation. Employment afforded in trading is sluggish, and cannot possibly grow fast enough to employ the labour force; what is needed is a rapid transformation of Singapore as a trading centre to an industrial centre. The government realises this, and has taken steps very similar to those in the Federation, i.e., the fostering of a climate calculated to attract investment into manufacturing. Singapore has the largest single internal market in the area in terms of purchasing power, and a more suitable base than any other area from which to "take off" into industrialisation, but to industrialise for the domestic market calls

for protective tariffs. So far these have been opposed by even more powerful trading interests than in the Federation. A compromise may be found, providing it is practicable to distinguish between imports intended for local consumption, and those intended for re-export.

Singapore's problems have been compounded by the fact that, economically, the Federation has been pulling away from it, trying to direct trade into Federation ports and building up Kuala Lumpur as a competitor to Singapore in various fields. Industries have gone there partly because of the tariff, which though limited enough in the Federation, is virtually non-existent in Singapore, and partly because of the unsettled political situation in Singapore.

The People's Action Party believes that merger with the Federation will induce political stability, and that it can attract sufficient private industry to Singapore to cope with its employment problem. In fact its whole development programme hinges on this. It is doubtful whether even with Malaysia, and with left-wing dissidents in prison, the long term future will be regarded as sufficiently safe for private enterprise to invest the necessary large sums in fixed capital there. Several Singapore businessmen told me in confidence that they did not believe that Malaya could be made safe for capitalism in the long run; they feel that a decade was the most that could be hoped for, consequently many are only prepared to hold capital in a form which is easily transferable outside.

#### Co-ordination

The Borneo territories are rather like the Federation in microcosm, with similar policies to meet them. So far they have each gone their own way, with little co-ordination. But with the advent of Malaysia, and a common market, new thinking is needed. Each wants to develop its own area, and does not want to remain a rural producer, with its surplus population drawn off to Singapore as the industrial centre. The World Bank Report calls for co-ordination of developmental policies, and rightly so, but it is questionable whether the mere co-ordination of such policies of rather laissez-faire capitalism will be sufficient. It is fashionable to assume nowadays that common markets and larger economic units will solve economic problems by themselves, but this is a gross fallacy. The USA has had an enormous internal common market for a century with mobility of labour and capital and a common language, but this has not prevented the depressed areas of the Deep South, or eliminated the poverty of the negro. The same is true of Italy, yet Malaysia has the far more complex problems, albeit in miniature, of a multi-racial society, with areas and peoples at different stages of economic and social development. It will take more than co-ordinated capitalism to deal with them; it may even be necessary to indulge in some measure of socialism, which it is a major purpose of Malaysia to exercise.

PRIME MINISTER

Slowly he ticks off their names  
 On the long list:  
 All the young political men.

As he was once himself.  
 He thinks of how he despised the others  
   - the a-political,  
     the English-educated,  
     the students he called 'white ants  
 In their ivory tower'.

Not so long ago, in fact,  
 He coined that happy phrase 'white ants'.  
 How he despised them, all they thought of  
 Was lectures, essays and a good degree!

A small thing these days  
   - He tells himself -  
 To be arrested.  
 Incredulously he remembers  
 Not once was he arrested, somehow.

Slowly he ticks off the names  
 On the list to be arrested.  
 Tonight, isn't it? Yes,  
 Between 2 and 4 when the blood runs thin.  
 The young political men,  
 Full of fire, hot-blooded. For a moment,  
 He expects to find his own name there.  
 'Red ants', he hisses,  
 Thrusting the list at a waiting policeman.

D.J. Enright.

(Reprinted by permission from Meanjin Quarterly, No.2, 1963.  
 D.J. Enright is Professor of English at the University of  
 Singapore.)



PART III - THE CONSEQUENCES OF MALAYSIA

The consequences of the decision to push through the formation of Malaysia in just over two years may be summarised as follows:

Internally, within the territories involved there has been a dramatic increase in political repression; in the smallest state, Brunei, which has not yet joined Malaysia, the objection to it was so strong that the political party which won all the elected seats saw fit to mount an armed rebellion, which undoubtedly had the support of the people in Brunei. This rebellion, which spread to part of Sarawak, was put down by British troops. In Sarawak 50 leaders of the main opposition party, the SUPP, were arrested and detained without trial, and three left-wing newspapers closed down. In the Federation of Malaya, Leaders of the Labour Party and the People's Party, which form the Socialist front, have been arrested and detained without trial; those imprisoned include the Chairman and Assistant Secretary of the Jinjang Branch of the Labour Party (both members of the Local Council); Treasurer of the People's Party in Ampang, and the Secretary of the People's Party in Petaling Jaya. The most serious case is that of Inche Ahmad Boestaman, M.P., Chairman of the People's Party, and a leading opponent of Malaysia, who was arrested in February, and who has still not been formally charged and brought before a Court, although accused of plotting against the Government and having relations with Indonesia.

It is not without significance that all these persons are leaders of the main opposition to the Alliance Government, and that their Socialist Front has been gaining ground over the Alliance Parties in municipal elections in the areas to which these leaders belonged.

In Singapore repression continues; the 120 members of the Barisan Socialist Party, arrested in February, are still in prison, some in solitary confinement, in shocking conditions, denied access to reading and writing materials, as David Marshall, former Chief Minister of Singapore, has noted. On nomination day in the recent elections (9 days before polling day) three candidates of the Barisan Socialist Party were arrested; in spite of this the party polled 194,000 votes, or 33% of the total, and captured 13 seats. Together with two other small left-wing parties, the Barisan Socialists polled 250,000 or 43%, yet due to the system of nomination, all Singapore's representatives in the Malaysian Parliament will be members of the PAP. Immediately after the elections the PAP Government started to move in on the opposition; it moved to take away the citizenship of the President of Nanyang University, who has lived in Singapore for over 50 years, because during the elections he supported graduates who had stood as Barisan Socialist candidates. On 23 September the President resigned "because of ill-health". On 26 September 20 students were arrested, including three graduates who had contested the election as Barisan candidates.

In short, the view that Malaysia has come into being democratically and constitutionally is a caricature of the real situation. By labelling all real opposition as Communist, the Governments of both the Federation and Singapore are using Malaysia as a device to bolster their own political positions, and to cover up the inadequacies of their anti-socialist policies

in meeting the real needs of the people they purport to represent. The Borneo territories are merely pawns in the game.

Externally, the forcing through of Malaysia has created more political instability in the area than existed before. It has resulted in the antagonising of the two main Malay powers in the area, Indonesia and the Philippines, the breaking off of diplomatic relations between them and Malaysia, and the rupture of trade channels. It has weakened SEATO even farther, for the Philippines, the only other genuine S.E. Asian power in the organisation - apart from Thailand - is at loggerheads with Britain, its erstwhile ally in SEATO. It has brought British-Indonesian relations to breaking point and caused a deterioration in Australian-Indonesian relations.

Arising out of internal politics in the Malay peninsula, originally the concern of 9 million people, it has exploded into an issue affecting 145 million, concerning at least four nations in S.E. Asia. By providing an opportunity to bang the anti-colonial drum at a time when it was muffled and nearly worn out, it has increased rather than decreased opportunities for Communist exploitation of issues. In short, Malaysia has turned into a political boomerang.

This then is the situation into which the Menzies Government has committed us, the support of internal repression in aid of a ruling group of Malay feudal landlords, Chinese financiers and British investors; the danger of being asked to fight our two most populous and nearest neighbours of Malay race; our only comrade-in-arms of any consequence being the United Kingdom, 10,000 miles away, governed by an obviously decadent and near spent conservative group, in the twilight of imperialism. Thus Sir Robert Menzies:

But for the benefit of all concerned, honorable members would not wish me to create or permit any ambiguity about Australia's position in relation to Malaysia. I therefore, after close deliberation by the Cabinet, and on its behalf, inform the House that we are resolved, and have so informed the Government of Malaysia, and the Governments of the United Kingdom and New Zealand and others concerned, that if, in the circumstances that now exist, and which may continue for a long time, there occurs, in relation to Malaysia or any of its constituent States, armed invasion or subversive activity - supported or directed or inspired from outside Malaysia - we shall to the best of our powers and by such means as shall be agreed upon with the Government of Malaysia, add our military assistance to the efforts of Malaysia and the United Kingdom in the defence of Malaysia's territorial integrity and political independence.

(Hansard, 25 Sept. 1963, p.1339)

But there is ambiguity, as Mr. Calwell pointed out in his speech:

One can think of many possible situations which may arise and in which fighting may occur. The Prime Minister seems not to have examined these real possibilities and certainly he has

not provided for them.

There is the possibility of a resurgence of Communist terrorist activities. There is the possibility of internal rebellion, not necessarily Communist-inspired, and of an internal breakdown of the State. There is the possibility of activities by insurgents in Sarawak and Sabah. There is the possibility of border conflicts on the island of Borneo. There is the possibility of internal clashes between the Malayan and Chinese populations of the new state. There is the possibility of outright conflict between Malaysia and other nations. Overriding all these possibilities is the common threat from Communist China - and that is a threat which Malaysia shares in common with Indonesia, the Philippines and Australia.

(Hansard, 25 Sept, 1963, p.1368)

As Ben Chifley was fond of remarking, there are things worth fighting for; but in this instance PRECISELY WHAT are the Australian people being committed to fighting for?

8 October 1963

APPENDIX AFOREIGN INVESTMENTS IN MALAYA1) Rubber and other plantations

"On the last occasion when tables showing ownership of rubber estates by race were published, in the Rubber Statistics Handbook, 1953 [Tables 10, (i) - (v)] the following percentage distribution for 2.46 million acres was shown":

	<u>Ownership of rubber estates, % of acreage</u>
Europeans	71
Chinese	22
Indians	5
Others	2
	<hr/> 100 <hr/>

Source: Unzku A. Aziz, Professor of Economics, University of Malaya, Kuala Lumpur, in "Facts and Fallacies about the Malay Economy" footnote 8, page 9 in Ekonomi, Journal of the Economic Society, Vol. III, No.1, Dec. 1962.

Compare James J. Puthucheary, Ownership and Control in the Malayan Economy (Eastern Universities Press, Singapore, 1960.) (Unless otherwise indicated all page references are to this work.) Puthucheary estimates (p.26) that in 1953, rubber covered 3.5 million acres, so that as estates accounted for 2.46 million acres, and Europeans owned 71% of these, then Europeans owned 1.7 million acres, or about half the total acreage under rubber. As the yield on the big estates substantially exceeds that on small holdings, the proportion of rubber production owned by Europeans would be more than 50%. There has been little change since 1953, although there has been some Chinese buying of European estates.

Other plantations include oil palm and coconuts, which covered 100,000 acres in 1953. Puthucheary estimates that large rubber and other estates of over 500 acres totalled 1.9 million acres, and that Europeans owned 83% of these (p.27). "Most of the rubber, oil palm, and coconut estates owned by Europeans are controlled by about 20 agency firms. The largest five, Harrisons & Crosfields, Boustead-Buttery Estates, Guthrie, R.E.A.-Cumberbatch, and Sime Darby, control more than 60% of the total acreage owned by Europeans" (p.27-28).

2) Tin Mining and Smelting

60% of tin output is produced by 76 European companies, which own all the tin dredges. Three big mining agencies manage 47 of these companies - Anglo-Oriental, Neil and Bell, and Osborne & Chappel. The only two tin smelting companies are largely European owned, the Eastern Smelting Co., and the Straits Trading Co. (p.86, p.92).

Compare U.S. Senate: Preparedness Investigating Sub-Committee,

Sixth Report (Washington, 1951) pp.11 and 12.

"Three British holding companies control much of the productive capacity of these areas. These are the London Tin Corporation, General Tin Investments Ltd. and British Tin Investment Co. These companies are to some extent interlocked by common directors and officers. ... London Tin Co. ... represents about one third of Malayan production. British Tin Investment holds large blocks of shares in 11 large Malayan tin-mining companies, the production of which is also about a third of the total Malayan output ..."

### 3) Commerce

European firms control 65-75% of export trade and 60-70% of import trade in 1955 (p.73). E.g.

#### Export of Domestic Produce 1953 in million Malayan dollars.

	<u>Total Value</u>	<u>Estimated value exported by European companies</u>
Rubber	898	520
Tin	351	351
Coconut Products	58	29
Palm oil and kernel	37	37
Iron ore	21	21
Other	<u>121</u>	<u>-</u>
	<u>1,486</u>	<u>958</u>

As Chinese firms have entered the import-export agency field increasingly in recent years, the European proportion would now be lower, but it would still be at least half.

Three of the biggest agency houses have acted as managing agents for the Colonial Governments of the Borneo territories, viz. the Borneo Co. for Sarawak, Guthrie & Co. for N. Borneo, Wm. Jacks & Co. for Brunei (p.59).

### 4) Manufacturing (a) Singapore

In 1958, 74 European owned firms employed 31% of the workers in manufacturing industry (p.102, 103); these are concentrated in processing and packing (14 firms); machinery and electrical equipment (16 firms); and transport equipment (12 firms) (p.120, 121).

Since then 24 new "pioneer" firms have been established, with about half the capital coming from overseas (Report of Economic Development Board, Singapore, December 1962).

#### (b) Federation

In 1959, the largest 79 firms accounted for 38% of gross sales in manufacturing (Census of Manufacturing Industries, 1959, Kuala Lumpur).

Most of these were European owned. Since then 80 new "pioneer" firms have been established, with over half the capital coming from overseas (E.L. Wheelwright, "Industrialisation in Malaya", manuscript).

5) Banking and Insurance: Federation of Malaya

At 31st December 1962, there were 114 insurance companies registered; of these 108 were external, i.e. incorporated outside the Federation. At the same date there were 24 banking companies registered; of these 19 were external companies. (Annual Report of the Registrar of Companies, April 1963, Kuala Lumpur.)

6) Australian Investments in Malaya (included in the above)

These are only a small proportion of total foreign investments in Malaya; they are mainly in tin mining; the following fourteen companies are listed in the Sydney Stock Exchange Mining Service.

	<u>Value of Assets, 1960</u>
	£A m
Austral Amalgamated Tin Ltd.	2.61
Austral Malay Tin Ltd	.32
Berjantai Tin Dredging Ltd.	3.13
Kampong Kamunting Tin Dredging Ltd.	.05
Kampong Lanjut Tin Dredging Ltd.	.93
Kamunting Tin Dredging Ltd.	2.52
Kramat Tin Dredging Ltd.	.57
Kuala Kampor Tin Fields Ltd.	1.66
Larut Tin Fields Ltd.	.20
Southern Kinta Consolidated Ltd.	4.29
Sungei Bidor Tin Dredging Ltd.	.62
Tongkah Harbour Tin Dredging Co.	.94
Tongkah Compound Tin Dredging N.L.	n.a.
Tongkah Compound No. 2 N.L.	n.a.
	<u>£17.84</u>

In 1960, the net profit of the first eleven companies totalled £5.26m.

The following firms in manufacturing have substantial Australian capital:

Hume Industries (Malaya) Ltd.  
 Rheem-Hume (Far-East) Ltd.  
 Malayan Containers Ltd. (A.C.I.)  
 Kiwi Polish Co. Pty. Ltd.  
 B.R.C. Weldmesh (Malaya Ltd.) (A.R.C. Industries  
 jointly with a U.K. firm)  
 Century Batteries (Malaya) Ltd.  
 Cement Aids Ltd.  
 Bradys (Malaya) Ltd. (Source: E.L. Wheelwright MSS)

Commerce

Wearne Bros. Co. Ltd., the largest automobile distributor in

Malaya (issued capital £A 1.76m) is largely Australian owned, as is Singapore Cold Storage Ltd., the largest cold storage firm in Malaya (out of a total of 15.5 million shares, the Australian and Oriental Trading Co. Ltd. holds 2.6 million, and the Queensland Trading & Holding Co. Pty. holds 5.3 million. (Source: Facts and Figures of Malayan Companies, Singapore, 1961.)

A new commercial firm, to act as import-export agent, has recently been established, Overseas Corporation (Far East) Ltd., owned by two Australian companies, The Overseas Corporation Ltd., and Kiwi Polish Co.

### Finance

A new finance company has recently opened in Kuala Lumpur, a branch of the Australian company, Development Finance Corporation Ltd.

\* \* \* \* \*

### APPENDIX B

#### MALAYSIA - POPULATION BY ETHNIC GROUPS, 1961

thousands

	<u>Malaya</u>	%	<u>Singa- pore</u>	%	<u>Sara- wak</u>	%	<u>N.Bor- neo</u>	%	<u>Mal- aysia</u>	<u>Total</u> %
Chinese	2,670	36.9	1,279	75.2	243	31.1	110	23.3	4,302	42.2
Malays	3,616	50.1	238	14.0	137	17.5	-	-	3,991	39.2
Indians & Pakistanis	813	11.2	142	8.3	-	-	-	-	955	9.4
*Other in- digenous	4	-	-	-	392	50.3	320	67.2	716	7.0
Non-indigen- ous (not elsewhere specified)	129	1.8	41	2.5	8	1.1	45	9.5	223	2.2
Total (all races)	7,232	100.0	1,700	100.0	780	100.0	475	100.0	10,187	100.0

\* Mainly Sea Dayak and Dusun.

Source: Report on the Economic Aspects of Malaysia, by a Mission of the International Bank for Reconstruction & Development, July 1963 (Table III)

\* \* \* \* \*

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APPENDIX CMALAYSIAC NET MERCHANDISE EXPORTS BY SECTOR, 1961

M \$ million

	<u>Malaya</u>	<u>Singapore</u>	<u>Sarawak</u>	<u>N. Borneo</u>	<u>Total</u>
Rubber	1,347	4	83	41	1,475
Tin	432	-	-	-	432
Timber	40	-	42	103	185
Iron Ore	164	-	-	-	164
Coconut products	31	-	-	27	58
Palm oil	58	-	-	-	58
Pepper	-	-	29	-	29
Manufactures	90	120	8	8	226
Other	57	16	16	41	130
<b>Total Merchandise</b>	<b>2,219</b>	<b>140</b>	<b>178</b>	<b>220</b>	<b>2,757</b>

Source: I.B.R.D. Report (Table VII)