

5026566

CHATHAM HOUSE MEMORANDA



# The Background to Malaysia

by T. E. Smith

SEPTEMBER 1963

Price 5s.net

*Distributed for the* ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS  
*by the* OXFORD UNIVERSITY PRESS

Q338  
E7010

5020500

3 外文书库

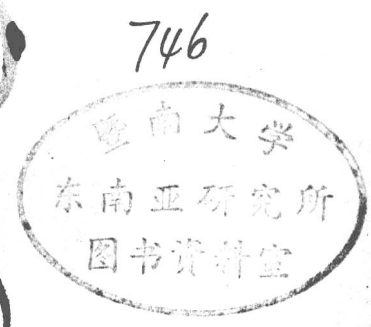
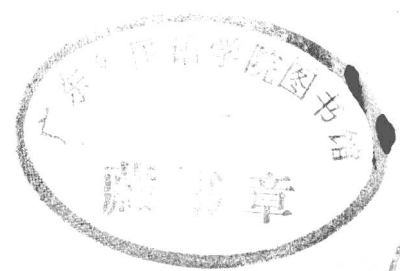
2849  
001719

THE BACKGROUND TO MALAYSIA

by

T. E. SMITH

Institute of Commonwealth Studies  
University of London

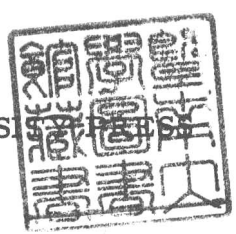


Distributed for the

ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS

by the

OXFORD UNIVERSITY



© ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS 1963

First published 1963

Reprinted 1965

Printed in Great Britain in the London Office of the

OXFORD UNIVERSITY PRESS

P-10

## CONTENTS

Introduction	1
The Peoples of Malaysia	2
The Economy of Malaysia	8
Malaysia in the Making	12
The Politics of Malaysia	24
The Public Service in Malaysia	30
The Constitution of Malaysia	32
The Defence of Malaysia	41
Could the Borneo States have formed a Viable Independent Country without Malaya and Singapore?	43
The Prospects	46

## INTRODUCTION

The plan for establishing a Federation of Malaysia<sup>1</sup> is designed to include the Federation of Malaya, Singapore, Sarawak, and North Borneo.<sup>2</sup> The reasons for the foundation of the new Federation are political; the Government of the Federation of Malaya has overcome an earlier reluctance to a closer association with the affairs of Singapore Island in an attempt to avoid the risk of communist control anywhere in the peninsula. Sarawak and North Borneo, as small Commonwealth territories in the Malaysian region without any obvious future as independent states on their own, have been brought into the Federation, and it is clearly the Malayan Government's hope that the largely indigenous and supposedly conservative population of these Borneo territories will provide some sort of ethnic and political balance to the largely Chinese and leftist population of Singapore. Economic considerations have played little part in the process of decision-making on the Malaysia issue.

Malaysia will be a relatively small state. To the south and west lies Indonesia, militarily quite strong by South-East Asian standards but economically ill-organized, now the fifth<sup>3</sup> most populous of the countries of the world; to the north is Thailand, a country with a population more than two and a half times that of Malaysia, as strongly

---

<sup>1</sup> Subject to an assessment of the wishes of the people of North Borneo and Sarawak by investigating teams responsible to U Thant in person.

<sup>2</sup> North Borneo will be called the State of Sabah in the new Federation.

<sup>3</sup> Indonesia recorded a population of over 95 million in the census of October 1961. At their last censuses, held in 1960 and 1961 respectively, Japan and Pakistan both recorded populations of between 93 and 94 million.

opposed to communism as the Federation of Malaya has been; to the east the Philippines, another anti-communist country, with a population of much the same size as that of Thailand.<sup>1</sup> Outside the South-East Asian region and yet dominating its political thinking and international relationships is China, the most populous country in the world and potentially one of the most powerful.

In these surroundings the addition of Singapore's and British Borneo's three million people to the independent Federation of Malaya's seven millions to create Malaysia appears at first sight to be a small-scale affair. The international implications are, however, of great importance. For the first time the politicians in Kuala Lumpur will control one side of a common land boundary with Indonesia. For the first time they will have control of internal security in the largely Chinese city of Singapore. If Kuala Lumpur and Manila can reach an understanding on North Borneo, then Malaysia, the Philippines, and Thailand will form a ring of countries with governments united in their determination to stop the spread of communist influence in South-East Asia.

## THE PEOPLES OF MALAYSIA

All the countries which have united to form the Federation of Malaysia are ethnically heterogeneous. Malaya, for instance, contains small minorities of Ceylonese, Pakistanis, Eurasians, Europeans, and aborigines as well as the Malays, the Chinese, and the Indians. Indeed, there is even more diversity than appears on the surface, for the Malays have until recently regarded themselves primarily as natives of a state and subjects of their own Sultan rather than as nationals of Malaya, whilst the Chinese are still divided by mother tongue into a number of readily definable communities.

The Chinese are the main element common to all the territories of Malaysia. They are numerically the largest and economically the

---

<sup>1</sup> The 1960 census population of the Philippines was 27½ million and that of Thailand over 26 million.



most important community in almost all the major towns of Malaya, Singapore, and the Borneo territories. In Malaysia as a whole, there will be rather more than two Chinese in every five of the population. The division of population into its main ethnic components was approximately as follows in 1960:-

Population of Malaysia (in thousands) in 1960

	<u>Malays</u>	<u>Chinese</u>	<u>Indians &amp; Pakistanis</u>	<u>Borneo indigenous (non-Malay)</u>	<u>Others</u>	<u>Total</u>
Federation of Malaya <sup>a</sup>	3,461 <sup>c</sup>	2,552	773	-	123	6,909
Singapore <sup>a</sup>	227 <sup>c</sup>	1,231	138	-	38	1,634
Sarawak <sup>b</sup>	129	229	2	378	6	744
North Borneo <sup>b</sup>	25	105	3	283	39 <sup>d</sup>	455
<b>Total</b>	<b>3,842</b>	<b>4,117</b>	<b>916</b>	<b>661</b>	<b>206</b>	<b>9,742</b>

<sup>a</sup> Mid-year estimates (last census in 1957).

<sup>b</sup> 1960 census figures.

<sup>c</sup> Includes persons of Indonesian origin who have been largely absorbed into the Malay community.

<sup>d</sup> Includes 25,000 Indonesians.

This table shows that in Malaysia the Malay community will no longer enjoy the numerical superiority over the Chinese which it possessed in the Federation of Malaya. Even if the Borneo non-Malay indigenous population is added to the Malay, the combined figure, though greater than that of the Chinese, falls short of 50 per cent of the total population of Malaysia. Chinese representation in Malaysia will on the contrary be greater than in the Federation of Malaya. If Brunei with its 84,000 people, more than half of whom are Malay, finally enters Malaysia, the overall situation will not be materially altered.

In recent years relations between the different communities in the countries which are to form Malaysia have been good. In Malaya these fairly harmonious race relations have continued from the colonial period into independence because Malay political power is balanced by Chinese economic power. In the Borneo States the colonial administrations have hitherto held power and, because political power has not therefore rested with any one community, there has been little conflict of interest between the indigenous people on the one hand and the Chinese on the other. In the last two years, however, racial feelings have arisen because of the imminence of the transfer of political power, and the existing imbalance in economic power combined with differing racial attitudes in Borneo towards the creation of Malaysia have brought latent frictions into the open.

Communal population statistics play a vital part in the series of compromises which determine the course of internal politics and government in the Malaysian countries. Nevertheless they can be misleading and can tempt the analyst into the mistaken belief that there is a wide gulf in the social, economic, and political sense between all members of one community and all members of another. In fact Malayan Chinese with an English-language education up to a matriculation or higher standard are as close to Malays and Malayan Indians with a similar educational background as they are to the mass of vernacular-educated or illiterate Chinese; indeed in Singapore, with its largely Chinese population, the gulf of real importance in the political life of the State is precisely that between the English-language and the Chinese-language educated Chinese, the former tending to back middle-of-the-road political parties and the latter the extreme left-wing.

There is an important difference between the Federation of Malaya and the Federation of Malaysia in regard to the geographical distribution of population. In Malaya, although there are admittedly areas which are largely Malay in population, the communities are geographically so intermingled that in many respects the politics of communalism are national rather than regional in character. From the point of view of the plurality of Malaya's society, therefore, federalism is not the only possible method of government. The Malaysian picture is however different; as has been stated, the Chinese are the common element and the Malays now appear as a community largely domiciled



in the peninsula portion of the new Federation, the Indians almost entirely restricted to the Malay Peninsula and Singapore Island, whilst Borneo contains many ethnic groups which are not represented in Malaya and Singapore at all. On ethnic grounds alone, then, federalism is a necessity for Malaysia; a unitary government would be as unacceptable to the Ibans of Sarawak and the Dusuns of North Borneo as it would be to the Chinese of Singapore.

In most of the countries of Malaysia the English-educated élite form quite a small percentage of the total. Thus in Sarawak only just over 0.5 per cent of the population had, in 1960, completed a full secondary education and under 10 per cent of the population of age 10 and over were classed as 'literate in English' by the census authorities. In the Federation of Malaya the literacy rates in English at the time of the 1957 census were much about the same - 10 per cent of the population of 10 years and over satisfied the qualification of being able to read a newspaper or write a letter in English.<sup>1</sup> This small-sized élite composed of all races provides the government officers, the professional men, and most of the top layer in industry and commerce. Below this élite, social contact between the main communities is minimal, though the large economic stake of the Chinese in all the countries of Malaysia ensures the continuity of economic relationships between the Chinese on the one hand and all the indigenous communities on the other. An exception to this general statement is the process of assimilation by intermarriage which has been going on in the interior of North Borneo between the Chinese and the Dusun.

What sort of life do the members of these indigenous communities lead? In North Borneo and Sarawak they are for the most part rural people dependent on subsistence agriculture, cash-crop smallholdings, and fishing for their livelihood. Their feelings and loyalties belong to their own ethnic group rather than to the territory in which they live. Some are Christian, some Muslim, and some pagan. They are simple, cheerful and hospitable, but materially poor (though not as poor as Indonesians, Indians, and Pakistanis). The Muslims are

---

<sup>1</sup> Over half of the population of 10 years of age and over were however literate in some language in 1957 (Malays 47, Chinese 53, Indians 57 per cent).

mostly coastal people, living, like the Malays of Malaya, in individual huts; sea fishing and the cultivation of wet padi play an important role in their economy. Some of the inland peoples, including the largely pagan Iban of Sarawak and the Murut of North Borneo, live in long houses which shelter several families; these inland groups mostly practise shifting agriculture, including the cultivation of hill padi. The Dusun of North Borneo are, however, expert wet padi cultivators and Dusun long houses are now very rare. Some of the smaller groups of inland people are related to the peoples of Indonesian Borneo. Thus the Kayans, the Kenyahs, and the Kelabits of Sarawak number only a very few thousand, but there are many tens of thousands of these people over the border.

In Malaya the Malays, like the indigenous peoples of Borneo, are a largely rural people, professing the Muslim faith, dependent on their rice fields, their rubber trees, and their fishing for a living, but with a rather higher standard of living than the indigenous people of North Borneo and Sarawak. Only in the State of Singapore do the majority of the Malays live in urban surroundings and earn their living by working as employees rather than by working on their own account.

The division of population into a largely rural indigenous group and a largely urban Chinese group is not peculiar to the countries which have formed Malaysia. Such a division can be found in Thailand, in Indonesia, and indeed throughout South-East Asia. Malaysia is unique in the region only in the very high percentage of Chinese in the total population. In Indonesia the proportion of Chinese to the native population is small enough for the Chinese to suffer political oblivion with hardly a murmur. In Malaysia, however, compromise between the interests of the different communities is the only alternative to anarchy.

The Indians in Malaya, like the Chinese throughout Malaysia, are deeply concerned with the position and status of the immigrant communities vis-à-vis the indigenous peoples, but their numbers are too small for them to make an important political force on their own account. The majority are employed in the rubber industry, in public works and local government, and in the railways.

The population of all the component parts of Malaysia is growing rapidly. In Malaya and Singapore there is not much difference between the growth rates of the three main communities; in Borneo, on the other hand, the Chinese are increasing in number more rapidly than the indigenous communities largely owing to the higher death rates of the latter. In the Borneo States the population density is low (15 per square mile in Sarawak and 16 in North Borneo) and an increase in population is economically desirable. In the Federation of Malaya population density is ten times that of Sarawak and population growth at over 3 per cent per annum is too rapid for comfort. It is in the State of Singapore, however, that the rapid increase in population has led to the greatest problems. In the middle of 1960 the overall population density was 7,279 persons per square mile and the natural rate of increase at well over 3 per cent per year combined with a small inward migrational surplus gave a net rate of growth of population of about 4 per cent per year. The rapid growth in population in Malaysia as a whole and in Singapore in particular poses immense problems.

As in all other countries with high birth-rates, children form a large percentage of the population of Malaysia. In Sarawak and North Borneo, for instance, at the most recent census in 1960, 44.15 and 43.5 per cent of the population enumerated were under the age of 15; in the Federation of Malaya in 1957, the figure was nearly 44 per cent and in Singapore it was somewhat higher. If the dependent age-groups are defined as those under 15 years of age and those who have reached the age of 60, there were 94 dependants per 100 persons of working age in the Federation of Malaya in 1957, compared with 65 or 66 in the United Kingdom and 75 in the United States. This heavy burden of dependency must inevitably have the effect of making increases in per-capita income a slower process than it would be if a larger proportion of the population were of working age.

If rapid population growth leads to large-scale unemployment and other economic difficulties in Malaya and Singapore, racial tension will certainly grow. In the past the mutual tolerance shown by the Chinese and Malay communities has degenerated into conflict and sometimes violence only when the country has passed through a very difficult phase economically or politically, as for instance during the depression in the early 1930s and during and immediately after the

Japanese occupation. It is therefore in the interests of racial harmony, as well as satisfactory economic growth, that the rate of growth of population in Malaya and Singapore should be reduced.

In the Malaysian territories, as in most other parts of the world, the proportion of the population living in urban areas is growing. Thus, in the Federation of Malaya, the urban population grew by 105 per cent between 1947 and 1957, whilst the rural population remained static in number. This is a clear indication of the drift into the towns from the rural areas. Four-fifths of the land continues to be covered with tropical rain-jungle, much of which admittedly occurs on mountainous terrain. The very fact that the movement into the towns of Malaya and Singapore continues, whilst land in Malaya remains undeveloped, suggests that there is little justification for the fears expressed to the Cobbold Commission by all races in North Borneo and Sarawak that, on the establishment of Malaysia, the peoples of Malaya and Singapore would migrate in large numbers to Borneo to take advantage of land and business opportunities available, to the detriment of the Borneans themselves. Nevertheless, the constitution of Malaysia, as described on pp. 32-41 below, provides the Borneo States with a large measure of protection against unrestricted movement of people from other parts of the Federation.

## THE ECONOMY OF MALAYSIA

In the Federation of Malaya, Sarawak, and North Borneo, the three parts of Malaysia with relatively large land areas, agriculture, and forestry occupy a leading position in the economy. In Malaya 60 per cent of the economically active population are engaged in agriculture, whilst in Sarawak over three-quarters of the working population are so occupied and in North Borneo the proportion is just over 80 per cent. In all three countries rubber is the most important agricultural crop<sup>1</sup> and export duties on rubber make a large contribution to public revenue - some 15 per cent of total public revenue in the Federation of Malaya and over 10 per cent in Sarawak.

---

<sup>1</sup> Timber is not regarded as an agricultural crop.

The intensifying competition between synthetic rubber and natural rubber for the lion's share of world rubber consumption has led the governments concerned - and particularly the Government of the Federation of Malaya - to take steps to encourage the replanting of rubber estates and smallholdings with rubber trees whose yield is several times as great as the old-style seedling rubber. There has also been a good deal of emphasis on crop diversification; some of the old rubber on estates in Malaya, for instance, has been replaced by oil palm, whilst in North Borneo progress has been made in expanding the acreage under coconuts, cocoa, and oil palms. Although the price of natural rubber is not likely to reach the higher levels attained in the 1950s again in the foreseeable future, there are grounds for believing that well-run rubber estates and smallholdings with high-yielding rubber trees will continue to give a reasonable return on capital invested. The forecast for the next few years is for a relatively stable market for natural rubber.

Although Singapore produces little rubber, the commodity is nevertheless the largest single item in her trade. In 1960 rubber accounted for 33 per cent of the value of total imports and 41 per cent of total exports.<sup>1</sup> The trend in the last two or three years towards lower prices for natural rubber has had an effect on Singapore's trade both directly and indirectly - in the latter sense because a lower rubber price reduces the purchasing power of the peoples of Malaysia and thus the volume and value of imports for consumer use.

Throughout Malaysia rice is the preferred staple food of the great majority of the population and it is the major food crop in the Federation of Malaya, Sarawak, and North Borneo. Indeed in the Federation of Malaya rubber (covering an average of  $3\frac{1}{2}$  million acres) and rice (covering nearly 1 million acres) together account for well over 80 per cent of the total cultivated area. None of these three countries, however, is self-sufficient in rice, imports being some 30 to 35 per cent of total domestic requirements in each. In general padi is grown in small family or individually-owned fields and much of the crop harvested is consumed by the cultivators and their dependants. There are few Chinese padi-planters in the

---

<sup>1</sup> Since 1960 the proportions have been somewhat lower as the result of lower rubber prices.

Malaysian area; the planters are mostly Malay in the Federation of Malaya and belong to the various indigenous tribes in Borneo.

Despite the dominant position of rubber and rice in the agricultural section of the economy, there are a number of other agricultural crops which are of major importance in the Malaysian area. Pepper is the second most important cash crop in Sarawak. Coconuts are cultivated in Malaya mainly and in Sarawak exclusively by smallholders and most of the copra crop is used by the local coconut-oil industry. Malaya and Singapore are net exporters of coconut oil. Oil palm in Malaya and North Borneo is exclusively an estate crop owing to the cost of the equipment required for processing and is making a gradually increasing contribution to the economy.

The production and export of timber cut from Malaysia's vast tropical rain forests is of growing importance to the economy of the region, and, for North Borneo, timber is easily the most valuable export, its value in 1961 being two and a half times that of rubber, which occupied second place. In Sarawak the position of timber vis-à-vis rubber in the export table is almost exactly reversed, rubber occupying first place and timber second place if the re-export of Brunei oil after passing through the refinery in Sarawak is ignored.

The overwhelming importance of a very few commodities in the export trade of the Malaysian countries can be illustrated by a few simple statistics. In 1961 the value of rubber exported from the Federation of Malaya (1,442 million Malayan dollars) was 54.9 per cent of the value of all exports; exports of tin and tin ore came next with 21.1 per cent of all exports by value and iron ore third with 6.2 per cent. For North Borneo in 1961, exports of timber, rubber, and copra accounted for 46.7, 18.7, and 12.3 per cent of all exports by value. For Sarawak the position is complicated by the re-export of Brunei oil which is piped in crude form to the Lutong refinery in Sarawak and exported after processing. If oil is excluded, rubber, timber, and pepper accounted for 61.1, 21.8, and 8.6 per cent of total exports in 1961.

The limited range of commodities exported and the heavy reliance of the economy on foreign trade are factors which the countries of Malaysia share with many other small countries. The Federation of



Malaya and Singapore differ, however, from many such countries in that their exports go to destinations all over the world and are not confined to a limited number of markets. The 1961 figures for the Federation of Malaya, for instance, show that the only countries which took more than 10 per cent of her exports were Singapore (19.8 per cent) - and in this case largely for re-export - Japan (14.6 per cent), which took most of Malaya's iron ore, U.S.A. (12.7 per cent), and U.K. (12 per cent). The exports of the Borneo territories, on the other hand, go to a narrower range of markets. Japan, for instance, took 80 per cent of North Borneo's<sup>1</sup> exports of timber in 1961 and 48 per cent of her total exports in that year, whilst a high proportion of Sarawak's exports went to Singapore as an entrepôt centre for wider redistribution.

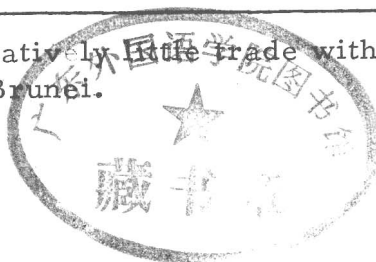
The range of countries of origin of imports into Malaya is as wide as that of destination of exports. The United Kingdom has been by far the largest exporter to Malaya with a little under one-quarter of the Federation's total imports in 1961. Thailand, supplying much of Malaya's imported rice, and Indonesia share second place and in that year they together supplied goods valued at just under those provided by the United Kingdom. No other country supplies as much as 10 per cent of Malaya's imports.

North Borneo's imports by country of origin are more broadly based than its exports. The United Kingdom share of the import trade (21.5 per cent) is slightly lower than in the case of the Federation of Malaya. Hong Kong takes second place (11.92 per cent in 1961), and the United States and Indonesia third and fourth respectively.

Trade between the four countries which are to form Malaysia is nearly one-third of total external trade, the proportions for imports and exports separately also approximating to this figure. This high proportion is a reflection of the importance of Singapore's entrepôt trade, particularly in relation to Sarawak and the southern third of the Federation of Malaya. Trade between the Federation of Malaya and the Borneo countries, on the other hand, is quite insignificant, and

---

<sup>1</sup> North Borneo does relatively little trade with Singapore, when compared with Sarawak and Brunei.



the creation of Malaysia to include the Borneo countries and exclude Singapore (as has been threatened from time to time by Malayan politicians when negotiations with Singapore have been going badly) would have little economic significance.

The major role played by the Chinese and by the small European community throughout Malaysia in the organization of trade and commerce cannot be emphasized too strongly. The Malays and the indigenous Borneo peoples play a part in the production of cash crops and, to a small extent, in mining activities, but they are virtually absent from the higher echelons of the commercial world of Malaysia. Without the Chinese and European communities, the economy of Malaysia might well decline as steeply as that of Indonesia has done in recent years.

It is obvious that some economic advantages will be attained by the creation of a single political unit without trade barriers and with uniform trade policies covering a population of over 10 million people.<sup>1</sup> In particular, the creation of Malaysia may well act as a fillip to industrial expansion in Singapore and possibly to international investment in Borneo.

## MALAYSIA IN THE MAKING

All the territories uniting to form Malaysia have the common background of British colonial administration. British penetration of the Malay Peninsula started in 1786 when Francis Light took possession of Penang Island, and the Anglo-Dutch treaty of 1824 provided for the cession of Malacca to Great Britain and recognized Singapore as a British possession and the peninsula as a British sphere of influence. The gradual extension of British administration

---

<sup>1</sup> For a detailed discussion of the economic aspects of Malaysia, see the Report on this subject, published in July 1963, by a Mission of the International Bank for Reconstruction and Development (the Rueff Report).

to the Malay States started with the negotiation of the Pangkor Agreement in 1874 involving the State of Perak and ended with the treaty in 1914 with the Sultan of Johore, through which he, like his fellow Malay rulers in earlier years, agreed to receive a British Adviser<sup>1</sup> whose advice had to be 'asked and acted upon on all matters affecting the general administration of the country and on all questions other than those touching Malay Religion and Custom'. The economic development of Malaya under British rule brought with it a very large-scale immigration of Chinese and Indians and the problems arising from the mixture of ethnic groups in the country have been paramount both in the process of creating the minimum degree of national unity required for independence and in maintaining an acceptable form of democratic government in the years since independence was achieved in 1957.

Singapore was the most important of the group of Straits Settlements<sup>2</sup> before the Japanese occupation of South-East Asia, and was the headquarters of the officer who combined the functions of Governor of the Straits Settlements and High Commissioner for the Malay States at that time. Since 1945 it has followed its own path to statehood. After the Second World War attempts were made with varying success to keep Singapore and the Federation of Malaya administratively in step, but the increase in separate ministerial responsibility in the 1950s for the work of government departments in the two territories had the inevitable result that only the more vital issues of political and economic importance continued to be the subject of joint action. Since 1959 Singapore has been an internally self-governing state with a fully elected legislature and its own small-scale cabinet system of government; economically, however, it has remained

---

<sup>1</sup> The title used in Johore was 'General Adviser'. In the pre-war Federated Malay States (Perak, Selangor, Negri Sembilan, and Pahang) these officers were styled British Residents and they were in fact the executive heads of the state administration. In the other states (pre-war Unfederated Malay States) they remained advisers in both name and function.

<sup>2</sup> Penang and Malacca were also Straits Settlements before the Second World War. So, too, was the island of Labuan off the coast of Borneo.