

Keesing's Record of World Events (formerly Keesing's Contemporary Archives),  
Volume 9, November, 1963 Malaysia, Page 19715

© 1931-2006 Keesing's Worldwide, LLC - All Rights Reserved.

### **Inauguration of the Federation of Malaysia.**

The Federation of Malaysia, comprising Malaya, Singapore, Sarawak, and Sabah (formerly British North Borneo), came into existence on Sept. 16 after prolonged negotiations in Kuala Lumpur and London. Despite the agreement of March 8 [see 10311 A], Brunei did not join the Federation owing to disagreement on the allocation of the Sultanate's oil revenues. The principal developments during the four months preceding the creation of Malaysia were:

- (1) A conference in Manila between the Foreign Ministers of Malaya, Indonesia, and the Philippines on regional problems arising from the proposed Malaysian Federation.
- (2) Discussions in Kuala Lumpur and London resulting in agreement that the Federation should come into existence on August 31.
- (3) A “summit” meeting in Manila between the Prime Minister of Malaya and the Presidents of Indonesia and the Philippines at which it was agreed that U.N. teams should visit the Borneo territories of the proposed Federation (i.e. Sarawak and Sabah) to ascertain if their inhabitants wished to join Malaysia.
- (4) The visit to these territories of U.N. teams, appointed by U Thant, which reported that the people of Sarawak and Sabah supported the Malaysian Federation; and the subsequent endorsement of this report by the U.N. Secretary-General.
- (5) The establishment of the Federation of Malaysia on Sept. 16, the original date of Aug. 31 having been postponed to enable the U.N. teams to visit the Borneo territories.
- (6) Violent reactions in Indonesia, where the report of the U.N. Mission was denounced, recognition refused to Malaysia, and a “terrible confrontation” with the new Federation announced by President Sukarno. Indonesian hostility to the Malaysian Federation took the form of widespread anti-British riots in which frenzied mobs burned and sacked the British Embassy in Jakarta and the homes and property of British nationals, several of whom were molested. British business concerns were taken over in many parts of Indonesia.

(7) The breaking-off by Malaysia of diplomatic relations with Indonesia and the Philippines, in the latter case because the Philippine Government wished to reduce its Embassy in Kuala Lumpur to consular status. Whilst great disappointment was expressed in Manila at the inclusion of North Borneo in Malaysia, in view of the Philippine territorial claim to that territory [see 19266 A], official comment was restrained and there were no scenes of hooliganism and mob violence such as occurred in Indonesia.

Tokio Meeting between Tunku Abdul Rahman and Dr. Sukarno. - Manila Meeting between Malayan, Indonesian, and Philippine Foreign Ministers.

The Prime Minister of Malaya, Tunku Abdul Rahman, visited Tokio on May 31 and June 1 for discussions with President Sukarno of Indonesia, who was then on an unofficial visit to Japan. For many months previously, and particularly since the rebellion in Brunei, the project for a Malaysia Federation had been strongly attacked by Indonesian political and military leaders, including Dr. Subandrio, the Foreign Minister, and General Nasution, the Defence Minister, as well as by Dr. Sukarno himself [see page 10262-63]. Apart from public expressions of sympathy for the so-called "liberation struggle" of the "people of North Kalimantan" (North Borneo), Indonesian leaders had increasingly attacked the Malaysia project as of "neo-colonialist" inspiration and as being aimed at the "encirclement" of Indonesia [The being aimed at the element of Malaysia have a population of 10,000,000 comparable with Indonesia].

On arrival in Tokio the Malayan Prime Minister said that there could be no question of modifying the programme for the establishment of the Federation, which was scheduled for Aug. 31, 1963. Commenting on the Indonesian attacks on Malaysia, the Tunku asked "how on earth a people of ten millions can encircle a people of a hundred millions," adding that he had come to Tokio to "talk peace" and that the Federation of Malaysia desired peaceful relations with all its neighbours.

The Tunku and Dr. Sukarno had two meetings at the private residence of the Japanese Foreign Minister, Mr. Ohira, who emphasized that Japan was completely neutral on the question of Malaysia. A joint statement said that the Malayan Prime Minister and the Indonesian President had "decided that their respective Governments would take every possible measure to refrain from making acrimonious attacks on and disparaging references to each other." No specific mention was made of Malaysia except a statement that the Governments of Malaya, Indonesia, and the Philippines would strive in forthcoming talks to achieve "a closer understanding between the three countries in matters of common concern and mutual interest."

A conference was held in Manila from June 7–11 between Tun Abdul Razak (Deputy Premier and Foreign Minister of Malaya) Senor Emanuel Pelaez (Vice-President and then Foreign Minister of the Philippines), and Dr. Subandrio on regional problems arising from the forthcoming creation of the Malaysian Federation.

The talks were held in private except at the opening session, when Senor Pelaez urged the conference to accept President Macapagal's proposal for a confederation of the Philippines, Indonesia, Malaya, Singapore, and the North Borneo territories. Senor Pelaez said that such a confederation, with a population of 140,000,000 in one of the richest and most strategic regions of the world, would constitute “a powerful bastion against aggression from any quarter and ensure that ours would remain a region of peace and security.” Moreover, a confederation would meet the security needs of all its members and provide a framework within which the Philippine claim to North Borneo could be settled “justly and expeditiously.”

A joint communique (June 11) stated that the three Foreign Ministers had (1) examined the Philippine proposal for a confederation aimed at bringing their countries into closer association; (2) agreed to recommend (1) to a meeting of the three Heads of Government, to be held in Manila not later than the end of July, “the establishment of machinery for regular consultations among their Governments at all levels on problems of common concern, such as security, stability, and economic, social, and cultural development”; and agreed that the three countries shared responsibility for maintaining peace and stability in the South-East Asia area. The communique also stated:

“The three Ministers, in the context of their close and brotherly association, succeeded in reaching common understanding and complete agreement on how to resolve problems of common concern arising out of the proposals to establish a Federation of Malaysia. In the same brotherly spirit, the three Ministers discussed the Philippine claim to North Borneo and arrived at a common understanding and agreement on how this problem should be resolved justly and expeditiously.”

No details were given of the “common understanding and complete agreement” (mentioned in the communique) in resolving “problems of common concern” arising out of the forthcoming establishment of the Malaysian Federation. There was no official confirmation of press reports that Malaya had agreed to the holding of a referendum or plebiscite in the Borneo territories to enable their inhabitants to decide whether or not they wished to join the Federation.

Kuala Lumpur and London Talks on Malaysia. Agreement on Establishment of Federation by Malaya, Singapore, Sarawak, and Sabah.

After protracted negotiations in Malaya and Britain, an agreement was signed in London on July 9 providing for the creation as from Aug. 31 of the Federation of Malaysia, consisting of the Malayan Federation, Singapore, Sarawak, and North Borneo, the last-named territory officially taking the name of Sabah. As stated below, the negotiations for Brunei's entry into the Federation broke down.

A three-day conference on the financial and defence implications of the Federation of Malaysia was held in London on May 13–15 under the chairmanship of Mr. Duncan Sandys, Secretary of State for Commonwealth Relations and the Colonies; the other British Ministers taking part were Mr. Thorneycroft, the Defence Minister, and Mr. Boyd-Carpenter, Chief Secretary to the Treasury, the participants on the Malayan side being Tun Abdul Razak and Mr. Tan Stew Sin, the Minister of Finance. A brief communique said that there had been a review of the financial problems likely to confront Malaysia during the first years of its existence and that particular attention had been given to defence expenditure. The Commonwealth Relations Office confirmed that the existing Anglo-Malayan defence agreement would be extended to cover the whole area of Malaysia when the Federation came into existence.

In Kuala Lumpur, differences of opinion persisted between Malaya and Singapore on the terms of the latter's entry into the Federation—notably over the percentage of the national income to be paid by Singapore for Federal services, the amount of Singapore's contribution to the development of the Borneo territories use map 1975, and the terms of the proposed common market with Malaysian. After several weeks of abortive negotiations in Kuala Lumpur, a Malayan ministerial delegation headed by Tun Abdul Razak flew on June 24 to London in an attempt to solve the deadlock by direct discussions with British Ministers and with the Prime Minister of Singapore, Mr. Lee Kuan Yew, who had also flown to London.

A fortnight's intensive discussions began on June 26 at the Commonwealth Relations Office, during which Mr. Sandys and Lord Lansdowne (Minister of State) had numerous meetings, separately and collectively, with Tun Abdul Razak and Mr. Lee Kuan Yew. The Malayan and Singapore delegations also had meetings from time to time with each other. On July 7 it was announced that the main dispute over financial arrangements between Malaya and Singapore had been solved and that no further obstacles existed to Singapore's entry into the Federation by the specified date of August 31.

The agreement on the establishment of the Federation of Malaysia was signed in London on July 9 by the Governments of the United Kingdom, Malaya, Singapore, Sarawak, and Sabah. Consisting of 11 Articles and numerous Annexes, it was contained in a 234-Blue Book (Cmnd. 2094), published on July 11, which also set out

in full the detailed arrangements which had been negotiated during the previous 18 months at the conferences in Singapore, Kuala Lumpur, and London. The provisions of the final agreement were as follows:

**Article 1.** “The colonies of North Borneo and Sarawak and the State of Singapore shall be federated with the existing States of the Federation of Malaya as the States of Sabah, Sarawak, and Singapore and the Federation shall thereafter be called Malaysia.”

**Article 2.** The Government of the Malayan Federation would secure the enactment by the Malayan Parliament before Aug. 31 (hereinafter referred to as Malaysia Day) of legislation amending the Malayan Constitution to provide for the admission of the new States. The Bill would provide for the allocation of seats in the Central Parliament of the Malaysian Federation in the following manner—104 members for the existing States of the Malayan Federation. 24 members for Sarawak, 16 members for Sabah, and 15 members for Singapore. Provision would be made with regard to the judiciary, citizenship, legislative powers, finance, the Public Service, protection of special interests, and other matters. The legislation would come into force on Malaysia Day.

**Article 3.** The British Government would submit to H.M. the Queen, before Malaysia Day, Orders in Council giving the force of law to the Constitutions of Sabah, Sarawak, and Singapore as States of Malaysia.

**Article 4.** The British Government would secure the enactment by the U.K. Parliament, before Malaysia Day, of legislation providing for the relinquishment of British sovereignty over Sabah, Sarawak, and Singapore.

**Article 5.** The Government of the Malayan Federation would secure, before Malaysia Day, the enactment of legislation extending the Federation of Malaya Immigration Ordinance to the whole of Malaysia and making additional provisions relating to entry into Sabah and Sarawak.

**Article 6.** The Anglo-Malayan defence agreement of Oct. 12, 1957 “ [see 15793 A] shall apply to all territories of Malaysia, and any reference in that agreement to the Federation of Malaya shall be deemed to apply to Malaysia, subject to the proviso that the Government of Malaysia will afford to the Government of the United Kingdom the right to continue to maintain the bases and other facilities at present occupied by their Service authorities within the State of Singapore, and will permit the Government of the United Kingdom to make such use of these bases and facilities as that Government may consider necessary for the purpose of assisting in the defence

of Malaysia, and for Commonwealth defence and for the preservation of peace in South-East Asia.”

**Article 7** provided for payment of compensation and retirement benefits to expatriate British overseas officers serving before Malaysia Day in Sabah and Sarawak. The modalities were set out in Annexes.

**Article 8.** The Governments of Malaya, Sabah, and Sarawak undertook to implement, by legislative, executive, or other appropriate action, the assurances, undertakings, and recommendations contained in the report of the Intergovernmental Committee signed on February 27, 1963 [see 19311 A].

**Article 9.** The provisions of the Annex relating to Common Market and financial arrangements [see below] “shall constitute an agreement between the Government of the Federation of Malaya and the Government of Singapore.”

**Article 10.** The Governments of the Malayan Federation and of Singapore undertook to implement, by legislative, executive, or other appropriate action, provisions in the Annexes relating to broadcasting and television.

**Article 11.** The agreement was drawn up in the English and Malay languages, the Annexes being in English only. In case of doubt the English text of the agreement would prevail.

As set out in Article 6, Britain retained the right to maintain bases in Singapore for the defence of Malaysia, the Commonwealth, and the South-East Asia region. Among the many Annexes to the agreement, particular importance attached to the Malaya-Singapore agreement on Common Market and financial arrangements (Article 9), which *inter alia* safeguarded the position of Singapore as an entrepot port.

The relevant Annex stated that “for a period of five years from Malaysia Day the Singapore Government shall have the right to require a delay not exceeding 12 months in the imposition in Singapore of any protective duty, on the grounds that the duty would significantly prejudice the entrepot trade.” It was also provided that Singapore's entrepot trade would be protected by guarantees administered by a specially created Tariff Advisory Board.

The financial questions previously in dispute between Singapore and Malaya were settled in the following manner: (i) 60 per cent of the Federal revenues collected in Singapore would be paid to the Singapore Government and 40 per cent to the Federal Government; (2) to assist development in the Borneo territories, Singapore would make available to the Federal Government a 15-year loan

of 100,000,000 Malayan dollars, free of interest for the first five years, and a 15-year loan of 50,000,000 Malayan dollars at current market rates in the Federation (i.e. 150,000,000 Malayan dollars in all, or about £17,500,000).

The above financial arrangements, and those for a Common Market, were worked out by an economic mission headed by M. Jacques Rueff, the French economist [see 19311 A], after a three-months' visit to the territories concerned. [see 19311 A]

#### Breakdown of Talks on Brunei's Entry.

Meanwhile, negotiations had opened in Kuala Lumpur on June 10 on the conditions of Brunei's entry into the Malaysian Federation, the Sultanate's delegation being led by the Menteri Besar (Prime Minister) of Brunei, Dato Setia Marsal bin Maun, and including Mr. Neil Lawson, Q.C., the Sultan's constitutional adviser. The Sultan of Brunei (H.H. Sir Omar All Saifuddin) flew to Kuala Lumpur on June 15 to take part in the negotiations, which, however, broke down on June 21 on the question of the future disposal of Brunei's oil revenues. It was understood that whereas Brunei wished to retain all her oil revenues indefinitely for internal development, Malaya was insisting that they should be paid into Central Government funds 10 years after the creation of Malaysia. [Brunei is the and Trinidad : of the Sultanate's annual revenue of about £14,000,000, half is derived from the oilfields.]

In view of the *impasse* in Kuala Lumpur, the discussions were continued in London as part of the negotiations for the establishment of Malaysia, the Brunei delegation being led by the Sultan. No agreement was reached, however, and as a result Brunei was not a signatory to the federation agreement of July 9. The Sultan paid a second visit to London at the end of July for further talks with Mr. Sandys; it was stated in Brunei on Aug. 6, after the Sultan's return, that discussions had dealt *inter alia* with the extension of the U.K.-Brunei defence treaty but that the question of Brunei's entry into the Malaysian Federation had not been raised.

#### British Aid for Malaysia. - The Malaysia Act.

In a statement on July 18 to the House of Commons, Mr. Sandys announced that Britain would make available to Malaysia a total of approximately £30,000,000 in defence and other aid over the three years 1963-65, and an additional sum of about £13,000,000 beyond 1965, when there would be a review of defence aid "in the light of the political, military, and financial conditions at that time." In addition, Britain would bear the full cost of the compensation scheme for retiring expatriate officials, the amount of which was estimated at £3,000,000. Details were as follows:

**Military Aid to Malaysia.** (1) Arms and equipment, etc., to be supplied from British sources—estimated at £14,500,000.

(2) Buildings and facilities in Singapore and Malaya which the British Government had agreed to transfer to the Federal Government for defence purposes—estimated value, £500,000.

(3) Additional costs of British personnel seconded to the Malaysian armed forces and assistance in military training—estimated at £3,000,000.

(4) Britain would also meet the cost of raising, maintaining, and training two Malaysian battalions to be formed in Borneo.

**Aid to Singapore.** The British Government would: (1) Continue to make available to the Singapore Government certain grants and loans, amounting in all to £5,780,000, which had previously been promised to Singapore.

(2) Release to the Singapore Government certain land occupied by the British Services, and bear the cost of providing alternative facilities where this was necessary.

(3) Pay the cost of raising and equipping the 2nd Battalion, Singapore Infantry Regiment, up to Malaysia Day. The maximum cost would be £1,170,000.

(4) Relinquish certain claims for services rendered and goods supplied to the Singapore Government prior to the formation of Malaysia. These included a claim for approximately £500,000 for hospital services at the naval base hospital since 1954.

**Aid to Sabah and Sarawak.** Britain would make a gift of £2,000,000 a year for five years from Malaysia Day to help finance the development programmes of the two territories.

The Malaysia Bill, providing *inter alia* for the relinquishment of British sovereignty over Singapore, Sarawak, and Sabah preparatory to the formation of Malaysia, was given an unopposed second reading in the House of Commons on July 19, passed through all its stages the same day, and was subsequently enacted.

The Commonwealth Relations Office announced on July 12 that Viscount Head, High Commissioner to the Nigerian Federation, would become the first British High Commissioner to Malaysia. The British High Commissioner in Malaya, Sir Geofroy Tory, would succeed Sir Ian Maclennan as Ambassador to the Irish Republic.

Approval of London Agreement in Malaysian Territories. - Sarawak and North Borneo Elections.

The London Agreement was approved by the Singapore Legislative Assembly on Aug. 1, by 25 votes to 17 with eight abstentions; by the Malayan Parliament in Kuala Lumpur on Aug. 14, by 67 votes to 18; and by Sarawak's first elected State Legislature on Sept. 4, by 31 votes to five.

Elections had previously been held in Sarawak in June 1963, and in Sabah (then North Borneo) in December 1962, at which parties or independent candidates supporting Malaysia obtained large majorities.

The Sarawak elections were held on the basis of universal suffrage and were indirect in character, the electors voting for district councils which, in turn, elected certain of their members to advisory councils; the latter councils, together with the municipal councils of Kuching, Sibul, and Miri, formed electoral colleges from which the members of the Council Negri—the Sarawak Legislature—were elected. [The three-tier method of election is explained in 18463 B.] Of the 429 seats in the district councils, 313 were won by candidates supporting the Malaysia project and 116 by candidates opposed to it.

The North Borneo elections were also indirect, 95 of the 110 local council seats being won by supporters of Malaysia.

The Council Negri in Sarawak had unanimously adopted on March 10, 1963, the constitutional reforms published in September 1961, [see 18543 B] whereby the Sarawak Constitution was amended so as to provide for a Supreme Council (Cabinet) headed by a Chief Minister and a Council Negri (Legislative Assembly) with a majority of elected members. These changes came into effect with the dissolution of the existing Council Negri on June 1, 1963, and the subsequent general elections, mentioned above. Thus Sarawak had a system of ministerial government and an almost completely representative Legislature before the creation of Malaysia.