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OFFICE OF  
NATIONAL ESTIMATES

## MEMORANDUM

### *The Pacific Powers and the Strait of Malacca*

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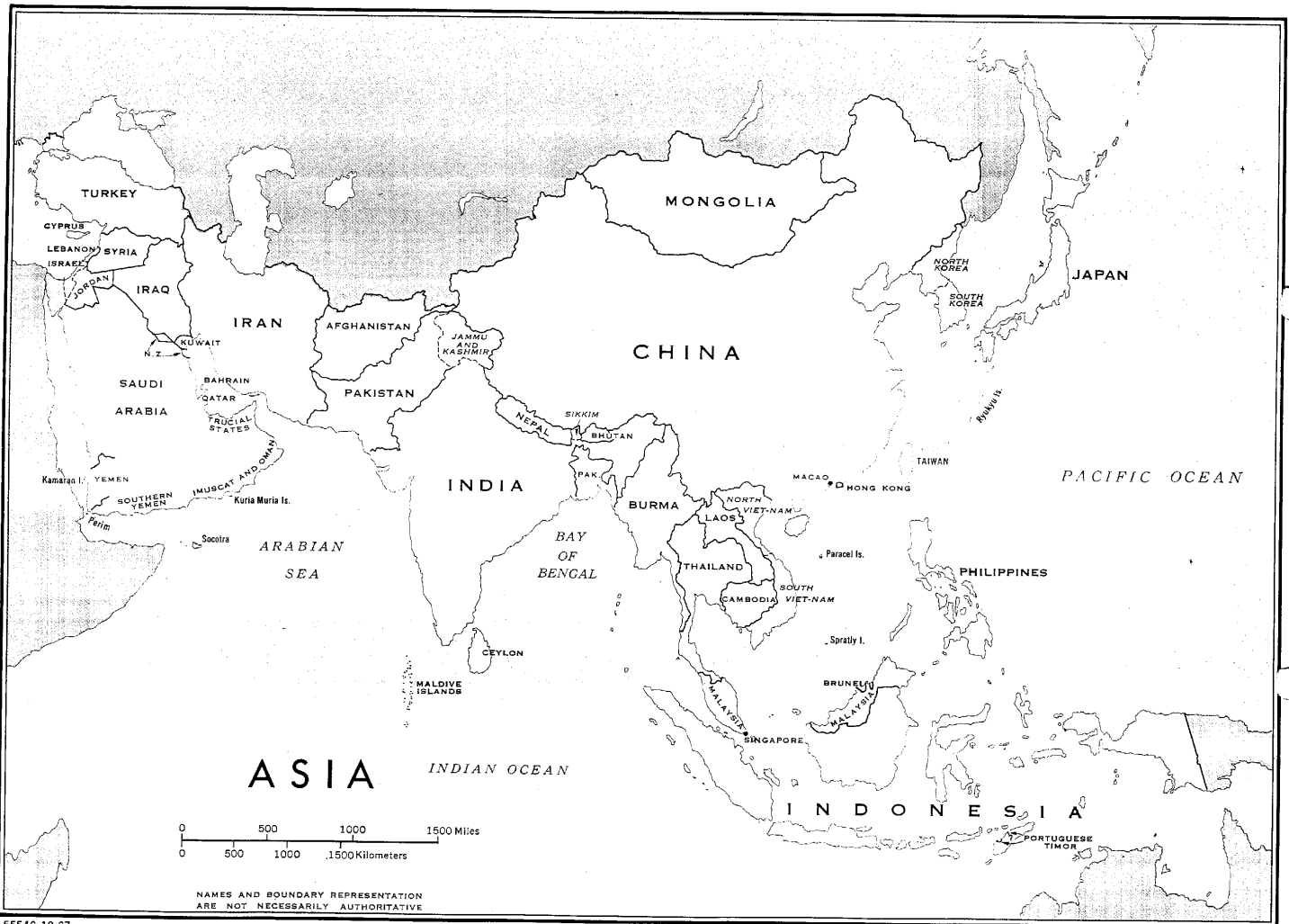
22 October 1970

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**CENTRAL INTELLIGENCE AGENCY**  
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22 October 1970

MEMORANDUM

SUBJECT: The Pacific Powers and the Strait of Malacca Area

NOTE

This paper takes a broad view of the essential elements in a complicated and changing situation. The Board of National Estimates, and the various components of the Agency who deal with one or more of the countries discussed, are in general agreement on the judgments made here, but there has been no attempt to reach Agency-wide agreement on specific details.

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1. With the fall of Sukarno and the end of Indonesian-Malaysian hostilities in 1965, the Strait of Malacca became a relative backwater in terms of immediate international interest. But while first attention of the powers has gone to Indochina, the Middle East, and other more dramatic problems, relations among the states around and interested in the Strait have been quietly changing in ways which could have important consequences for the region's security situation, and for Western interests there.

2. The major moves are well enough known. The British are withdrawing from East of Suez, leaving little more than a token contribution to a Commonwealth force for the defense of Malaysia and Singapore -- a commitment for which the other

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prospective contributors, Australia and New Zealand, are less than wholeheartedly enthusiastic. The US, through the Nixon Doctrine, has served notice that it will be less visible at least in a military sense in post-Vietnam Asia. At the same time the Soviets are becoming more active in the area -- militarily on the Indian Ocean side of the Strait, but also through economic and diplomatic approaches, and such floaters as the Brezhnev Proposal on collective security, to the governments of the region. The Chinese, while still the principal backers of minority group insurgency, are also showing some revived interest in more conventional government-to-government relations. And the Japanese, probably as distrusted throughout the area as any Communist power, are asserting an interest in the Strait in particular as the passageway for their Middle East oil supplies; and they are highly active in the region in general in pursuit of their economic goals and of their burgeoning claim to great power status.

3. These changes are not of course so simple and clear as the slogans attached to them might imply. Indeed, it seems likely that none of the outside powers has defined very precisely its aspirations in the area. And the role each one plays will affect and be affected by the others. But just because the

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situation is so in flux, each of the countries along the Strait -- Malaysia, Indonesia, and Singapore -- is reassessing its relations with the outside world and with its immediate neighbors.

How the Locals See It

4. On political and security grounds, each of these states might like the international situation to freeze. This is not true of their economic outlook. Indonesia needs massive infusions of foreign money to recover  and to develop its rich natural resources. Malaysia depends on foreign sales of its rubber, tin, and timber for the continued economic progress which is the best hope of keeping its various races reconciled to living in relative peace. And Singapore, which exists mainly as a port and entrepreneur, needs new investment. But each of these states is concerned about who might be eyeing that "vacuum" which is developing as the British presence declines.

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5. This is especially true of Indonesia, which sees itself as the rightful Top Nation in the area -- as the natural leader of the Malay race in its long term effort to fend off the Chinese. Indonesia's present leaders have renounced Sukarno's military adventurism. And they probably realize that they are in no position to exert effective leadership until they have spent some years

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putting Indonesia to rights economically and developing a more stable socio-political concensus. Their concern is that no other power should achieve a dominant voice in the area before Indonesia is in a position to assert its ancient claims.

6. Malaysia has no pretensions to regional leadership for itself, but does worry that the ambitions of outsiders could exacerbate its already difficult communal problems. Malay-Chinese animosities, which flared into major rioting in the aftermath of the May 1969 elections, have since calmed to a steady simmer. But little progress has been made in attacking the causes of the problem, and the new government of Prime Minister Razak is just beginning to experiment with a carefully limited resumption of parliamentary politics. Against this tense background, the last thing Malaysia needs is for Moscow to try to win friends among the Muslim Malays by exploiting its hostility to Peking and its championship of the Arab cause, while Peking plays upon the grievances of the country's Chinese population.

7. Singapore's leaders also feel some residual concern about the attraction of Peking for their city's far-left. But Prime Minister Lee Kuan Yew is (justifiably) confident of his ability to control his opposition at home. Singapore is more

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worried about its Malay neighbors to the north and south than about the meddling of outsiders. Growing closeness between Malaysia and Indonesia conceivably could leave Singapore an isolated Chinese enclave in a hostile Malay world. Some Singaporeans liken their position to that of Israel: a more dynamic and successful minority, threatened by the jealous majority race of their region.

8. Thus it probably would have suited each of these governments if the British had decided not to leave just yet. Malaysia's present ruling generation, by training, sentiment, and practical interest, was perfectly satisfied with Britain's role in their affairs -- as a declared protector against possible outside aggression but also as a tacit check on internal upheavals. Singapore, too, found the British presence reassuring, not least as a guarantee of Malaysian good behavior. Sukarno's successors in Indonesia could never admit it, but even they might have found their purposes served by a prolonged British presence in the region, if only to hold at bay more serious foreign challengers for longer-range influence.

9. But each of these governments has accepted the inevitability of change in the area, and now seems to be making a

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virtue of necessity. They are moving to forge new links with as many "outsiders" as possible, and hope thereby to maintain an equilibrium among them. Thus, Singapore's Foreign Minister can welcome Soviet interest in the Strait, for several reasons: to discourage any possible Malaysian and Indonesian thoughts of bringing the waters under their exclusive control; to "mitigate fears of Japanese domination;" and also to encourage further Commonwealth and US commitments to Singapore. Thus, also, Malaysia's leaders engage in wishful thinking-aloud about a "neutralization" of Southeast Asia, to be guaranteed jointly by the US, USSR, and China. All three governments, moreover, are polishing their non-aligned credentials and actively seeking improved relations with radical Afro-Asian states and the East Europeans, as well as with the great powers. All this opens up interesting opportunities for the interplay of ambitions in the Strait.

#### The Outside Powers

10. British influence in both Singapore and Malaysia is certain to decline, due to the reduction in Britain's military role and just to the passage of time. The next generation of political and military leaders in Malaysia and Singapore will

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not be so completely British-trained, and may not inherit the attachment now felt to traditions of parliamentary democracy and of a strictly apolitical military. Some young Malays, especially in the military, may already feel that a more decisive (i.e., authoritarian) hand is needed to deal with the country's problems.

11. In fact, neither Singapore nor Malaysia would now be willing to put all its chips on a Commonwealth military relationship. Uncertainties about future British defense policy, or about what use the British might be willing to make of the troops which are remaining, make London seem an unreliable protector. The same is true of the Australian and New Zealand contributions. Australia's "forward defense" strategy by definition gives it an interest in this area, but it has made few firm commitments to date. None of these Commonwealth nations wants to get involved in any possible internal disorders in Malaysia, and Australia has indicated that its commitment to help Malaysia against outside aggression does not include possible clashes with the Philippines, which claims title to portions of the East Malaysian state of Sabah. Moreover, the prospect of losing Commonwealth troops (and some revenue) has been adjusted to, and

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a return to "semi-colonial" status would damage the non-aligned image both Singapore and Malaysia now are trying to acquire. Malaysia especially thinks that a formal military pact with Britain, even if it were possible, might complicate its own growing closeness with Indonesia.

12. The smaller Commonwealth military presence which will remain,\* however, serves important needs of the locals. It can be a psychological contribution to the area's security (and thus a reassurance to prospective Western investors), and a check on

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Singaporean and Malaysian suspicions of each other. These benefits also accrue to some extent to Indonesia, while Indonesia avoids the taint of foreign forces on its own soil.

13. But probably the most important benefit of the Commonwealth arrangement is the indirect tie it gives these governments to the United States. None would want a formal defense tie with Washington, and they would only be embarrassed by American attempts to enlist them openly on "our" side, e.g., for the South Vietnamese or against Peking. But Malaysia and Singapore like to hope that any serious involvement of Australian or New Zealand troops on their territory would, through the ANZUS treaty, draw in the United States. And Indonesia, while still going through the formalities of non-alignment, obviously wants American military power in South-east Asia and may actually welcome America's Commonwealth allies in a kind of proxy role in the Strait.

14. Indonesia's growing friendliness toward the United States stems partly from the Suharto government's anti-Communist roots; partly from Indonesia's need for US money and technical expertise; and partly from a genuinely greater liking and respect for the US than for China, the Soviet Union, or Japan. There also is a feeling that the United States, if only because it is not an

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Asian nation, is not the same kind of competitor as the other three major powers for the role Indonesia would one day like.

15. All three of these governments, therefore, will continue to seek American trade and investment; to be "constructively non-aligned" in helping Washington find a graceful way out of Vietnam; and earnestly to hope for a continued US presence in post-Vietnam Asia. In sum, they hope the United States will play the role on which Britain defaulted, of holding the balance of power in the Strait until they are themselves more able to cope with other foreign ambitions. The trouble is, they are not entirely confident about continued US involvement. They are less concerned about the specific settlement made in Vietnam than about the steadiness of Washington's post-war Asian policy.

16. Asia's own "Westerners," the Japanese, are much less welcome along the Strait but are recognized as a fact of life. Japan is the chief purchaser of raw materials throughout South-east Asia, and an avid investor in extractive industries and other potentially lucrative enterprises. Moreover Japan is providing massive foreign aid to Indonesia and tying the bulk of it to purchases in Japan, which will enhance the already strong competitive position of Japanese exports in the Indonesian

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market. Japan already is Singapore's largest supplier of re-tained imports, and Singapore's recent industrial boom has relied heavily on Japanese management and technical expertise. As Malaysia's attachment to things British diminishes, and as the Japanese investment there grows, its economy, too, is likely to become more oriented toward Japan than the West. And the importance to Japan's world trade of the Strait of Malacca, as well as the neighboring Sudan and Lombok Straits, gives Japan a legitimate interest in the affairs of the region. Ninety percent of Japan's oil supplies pass through here en route from the Middle East, and Indonesia could in time become a new source of supply for Japan's growing oil requirements. As Japan begins to test the waters for a larger international role, the Strait is the obvious first area for naval cruises and for demands that the Japanese have a voice in, for instance, arrangements to improve navigational conditions.

17. All three of these states resent their dependence on the new model "co-prosperity sphere", and are hypersensitive to any hint of Japanese aspirations to political or especially military leadership in Asia. They would resist any American attempt to transfer some of Washington's Asian security burdens to the Japanese. In fact, the Indonesians may see Japan less as

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a suitable partner or protector than as an interloper and their chief long-range rival.



18. China presents a different kind of problem to these governments. It is in no position now to compete for regional leadership or to jeopardize anybody's economic sovereignty. But it is a center of attraction for ethnic Chinese and other dissidents in Malaysia and Indonesia, and for Singapore's leftwing opposition. None of these groups now presents a serious subversive threat. Indeed the immediate danger may be that the near-paranoia of the Malays about the Chinese, especially in Indonesia, may lead them to lean too heavily on their own quite loyal Chinese citizens. But Peking has a residual capacity for insurgency in each of these countries and this eventually could become important in case of serious economic dislocations, or of new communal outbursts in Malaysia, or possibly even of a lack of sufficiently visible progress on Indonesia's socio-economic problems.

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19. At the same time, post-Cultural Revolution China is beginning to make conventional diplomatic approaches to Asian governments. No one is taken in by this; in fact Peking's open championship of minority-race insurgency has brought its standing with majority races throughout East Asia to an all-time low. But the governments feel they must be cautiously responsive. They are sensitive to the feelings of their Chinese populations. The sheer bulk of China on the Asian scene has an intimidating effect. And Peking, the argument goes, is a fact of Asian life, and better to draw it in to normal relations than to keep it permanently isolated. Thus, Malaysia probably will soon join Indonesia in supporting China's admittance to the United Nations. And if any other state succeeds in working out a tacit "two Chinas" arrangement for diplomatic relations, Malaysia and Singapore are likely to follow suit. Both, however, would like to test China's good behavior in the UN and elsewhere before allowing permanent diplomatic missions back home.

20. The Soviets are not especially trusted or liked in this part of the world, but they are not seen as a security threat, since local dissidents look to Peking. (Lee Kuan Yew has said that "if the Russians win any converts among Singapore's Communists,

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they will be doing me a favor".) And they have important assets with the Strait governments. The USSR vies with the US as the largest single purchaser of Malaysia's rubber (and provides at least in some Malaysian eyes a significant contrast with US "dumping" of rubber and tin stockpiles) and is an important potential market for Indonesian raw materials. Singapore sells some (limited) processed goods to the Soviets, and will be especially eager to cement this trade as Malaysia and Indonesia try to cut out the Singaporean middleman in processing and exporting their rubber and other raw materials. Soviet merchant ships call at Singapore's commercial dockyard. And most recently, Lee Kuan Yew says he has talked with the Soviets about using Singapore for repair and refueling of their warships -- although the latest information is that this would be a limited commercial arrangement and that no Soviet naval vessels would use the dockyard used by US and Commonwealth forces.

21. Most of all, the Soviet Union can be an important element in the balance of power these states hope to maintain. The Soviets' chief asset is their anti-Chinese posture, but they also are seen as a valuable offset to the Japanese, and by Singapore, to its Malay neighbors. And some of the locals regretfully

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suspect that Moscow may be an element in the Strait's power balance for longer than the US is willing to remain there. This balancing role is probably more important to Lee Kuan Yew than the financial profit to be made from Soviet ships calling at Singapore. He wants as many powers as possible interested in the stability and prosperity of Singapore; and he also hopes to get the US and the Commonwealth to bid against the Soviets for Singapore's services.

22. In Malay eyes, Moscow's anti-Chinese credentials are supplemented by its support of their Arab brothers in Islam. For the moment this tends to exacerbate suspicions of the already anti-Communist Indonesian government that the Soviets might lend moral or material support to Muslims and others who harbor grievances against the military government. But the Soviets nevertheless are developing potential assets, especially among those who are most consciously "Malay," in both Malaysia and Indonesia.

23. The Soviets are now very much on their good behavior throughout Southeast Asia, making determinedly non-ideological approaches to governments (possibly because they have written off the local Communists as incurably pro-Chinese). The Strait governments still try to shield their people from exposure to

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the Soviets. But government-to-government relations are improving, and the Soviets are making some progress with offers of economic assistance and expanded trade, including barter arrangements and low-interest loans. Their opportunities for political influence are poorest with the Chinese government of Singapore, and not much better with the present Indonesian government. Their main pitch in the area, therefore, is likely to be to Malaysia -- to the government itself and to astutely chosen target groups, such as Malay (rather than Chinese or Indian) politicians, trade unionists, and intellectuals.

24. The "Brezhnev Proposal" for some sort of collective security arrangement in Asia was put forward in tentative and ambiguous form and has evoked little more than curiosity. There would be no interest in a new system of military alliances, even if it should turn out to be what the Russians have in mind. None of the locals wants to offend China or in any way lessen Western interest in their security. But the proposal itself, vague as it is, is likely to accomplish much of what the Soviets probably intend. It suggests that the Soviets intend, in good part for the sake of containing the Chinese, to play a larger role in the area. Aside from worrying the Chinese about possible Soviet

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"encirclement," it provides a talking point with each of the South-east Asian governments which could lead to exploration of improved bilateral relations. In the Strait, for instance, it could be an opener for Soviet requests for repair and refueling facilities on the way between the Middle East and Vladivostok, and possibly for air routes and landing facilities. Most of all, it helps to establish the Soviet Union as one more power with legitimate interests in the region, and this might indeed help convince the locals that they do not have to choose between allying themselves with the West or Peking.

#### Regional Cooperation

25. One way of frustrating outside ambitions, of course, is to increase cooperation among the states themselves. And indeed, Malaysian-Indonesian relations have never been closer. The Malaysians do worry that some future Indonesian government might revert to military expansionism, but see this as all the more reason for doing whatever they can to strengthen Suharto's position. Formal cooperation between the two ranges from patrolling together the borders of the once-disputed Malaysian territories of Borneo against the remnants of Communist insurgents there, to progress toward a customs union and toward

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joint-marketing of primary commodities to strengthen their position vis-a-vis the industrialized countries, to such working-level ties as a "hot line" between desk officers in their respective foreign offices. There also are clandestine reports of a plan to promote the emigration of some of Indonesia's unemployed agricultural population to augment the Malay minority in Malaysian Borneo, and of Malaysian intentions to covertly finance Suharto's supporters in the forthcoming Indonesian election.

26. Unfortunately, the closer Malaysia grows to Indonesia, the more worried Singapore becomes about Malay hegemony in the Strait. Personal animosities, racial antagonisms, and competing national interests will provide ample tinder for periodic headline-catching flareups, especially between Singapore and Malaysia. But at the same time, the two know that their fates are linked. Certainly Singapore realizes that the chief threat to its security is a recurrence of racial violence in Malaysia which could disturb its own currently harmonious race relations. Generally good, if not always friendly, cooperation will therefore continue on economic matters and on defense planning, as will extensive consultations on a wide range of foreign policy issues.

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27. The cooperation of all three governments, among themselves and with other Southeast Asian neighbors, in limited groups and for more or less specific purposes, is likely to produce an interesting network of arrangements as time goes by. Malaysia, for instance is developing separate defense-related understandings with Indonesia, with Singapore and the Commonwealth, and with Thailand. And it will hope to have a tacit link to ANZUS through the Commonwealth and to SEATO through Thailand. Such a network would give Malaysia the best possible security re-insurance, while still allowing it to class itself among the non-aligned.

28. This sort of cooperation is not, however, at all likely to grow into a formal security alliance among the local states. None of the states wants to give unnecessary offense to Peking. Perhaps more important, the prospective partners of an East Asian security arrangement often feel more threatened by each other than by a common enemy. Singapore fears Malaysia and/or Indonesia; Malaysia fears a renewed Philippine threat to Sabah or possibly a different Indonesian government or even a recrudescence of border disputes with Thailand; and all worry about Japan, on general principles. Internal subversion, which is the most likely threat to all, could not be met jointly by

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the three governments because of its inevitable Malay-Chinese aspect. And an attack by a great power -- i.e., China -- could not be met by them (with or without Commonwealth assistance) and so must be left, rather fatalistically, to the United States. Indeed, it is possible that a limited degree of defense cooperation in the Strait is possible only with the Commonwealth partners present to "referee" between Singapore and Malaysia, with Malaysia in turn serving as a link to Indonesia. And attempts of either Singapore or Malaysia to build up its own forces, even as a contribution to the Commonwealth arrangement, is likely to be seen as a potential threat to the other and could result in a wasteful and disruptive arms race between them.

#### Outlook

29. In present circumstances, prospects in the Strait of Malacca are for a good deal of muddling through, with little dramatic change. None of these nations is likely to be involved in a major war, to fall under Chinese or Soviet hegemony, to adopt the emotional anti-Western stance of some non-aligned states, to be a prime arena of great power conflict, or (with luck and good management in Malaysia) to be gravely threatened by internal insurgency. Nor are they likely to produce a regional alliance

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for self-help in security matters. But a more complex kind of economic and political competition is shaping up in the Strait, in which we are likely to see shifting combinations among "locals" and "outsiders" for specific purposes. In the process, the relative influence of the West will diminish, while locals become more sensitive to the opinions and interests of the non-aligned world. Japan will become a still greater influence in their economic lives, and will be all the more disliked because of it.

30. The Soviets have considerable potential for expansion of their influence in the area, in part because that influence is presently low. But they are for now mainly hedging against the possibility of expanded Chinese influence and probably have as yet only limited perception of the kind of role they want for the future. They also have other serious disadvantages to overcome, including the suspicions of local governments, and economic and political systems less attractive -- at least to the present governments -- than those of the West. Their prospects for achieving a major role depend on certain remote but not totally unrealistic contingencies. Should Malaysian government leadership pass to more radical, anti-Chinese Malays, the Soviets would have a better chance of pushing their views,

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particularly since such a Malaysian leadership might be more open to "socialist" state intervention in the economy to assist Malays in competition with the Chinese. A more chauvinistically pan-Malay government in Indonesia also might be more responsive to Soviet advice and influence. If China should become more active diplomatically or economically, or if the Japanese should begin to throw their weight about, and appear to have slipped the American rein, Moscow would be even more welcome as a balancing factor in the region. And the worst case, of course, is renewed communal violence in Malaysia which somehow drew in Indonesia on the side of the Malays and Singapore in defense of the Malaysian Chinese. This could give Moscow the option of supporting Malay extremists (and possibly Peking the Chinese) while the West, virtually immobilized in a conflict between its good friends, could only urge restraint on both sides.

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