DIRECTORATE OF
INTELLIGENCE

# Intelligence Report

Geographic Brief on
Sabah

SECRET

CIA/BGI GR 69-4
April 1969

# WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.



Approved For Release 2000/05/31 : CIA-RDP84-00825R000100620001-7

## FOREWORD

Sabah is a state within the Malaysian Federation that has in recent years been the focus of a dispute between Malaysia and the Republic of the Philippines. The dispute stems from the Philippine contention that much of Sabah is rightfully hers—a legally dubious claim based on an 1878 document that either "leased" or "ceded" the Borneo territory of the Sultan of Sulu to a combine of European businessmen.

This report provides geographical and historical information for use by persons who must follow or deal with events in Sabah.

# CONTENTS



## Figures



## Map

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
April 1969

INTELLIGENCE REPORT

# Geographic Brief on Sabah

1. Sabah covers an area of some 29,000 square miles (slightly smaller than the state of South Carolina) in the northeast corner of the island of Borneo (see Map 75116). Its 1,000-mile shoreline is washed by three bodies of water—the South China Sea on the west, the Sulu Sea on the northeast, and the Celebes Sea on the southeast. Boundaries along generally remote mountainous terrain separate the state from its Malaysian sister-state of Sarawak to the southwest and Indonesian Kalimantan to the south. Kota Kinabalu (formerly Jesselton), the state capital, lies about 900 nautical miles east of Kuala Lumpur, capital of Malaysia, and about 600 nautical miles southwest of Manila. The nearest island in the Philippine Sulu chain is some 18 nautical miles off Sabah's southeast coast.

2. Although sovereignty was never questioned during the more than 80 years of British control, the Philippines has challenged Malaysian ownership of the territory since Sabah became a state within that federation in 1963 (see Appendix, Sovereignty Dispute, page 21). The state's extensive stands of commercially exploitable timber probably are an economic attraction to the Philippines, as they could compensate for the dwindling Philippine timber resources. Perhaps of greater appeal are Sabah's vast underpopulated tracts, which could provide resettlement sites for much of the excess population in the increasingly crowded northern and central Philippine islands. Little land suitable for such homesteading remains in Mindanao, heretofore the major region for resettling landless peasants from these islands.

## TERRAIN AND VEGETATION

3. Rugged terrain is characteristic of Sabah (see Figure 1). A plain up to 10 miles wide extends the full length of the west coast. It is backed by the Crocker Range which, along with its lateral spurs, forms an extensive block of undeveloped, sparsely peopled terrain that obstructs surface communication between the western and eastern parts of the state. Prevailing elevations of ridgelines in the Crocker Range are generally 3,000 to 4,000 feet above sea

*Note:* This report was produced by CIA. It was prepared by the Office of Basic and Geographic Intelligence and coordinated with the Offices of Current Intelligence and Economic Research.

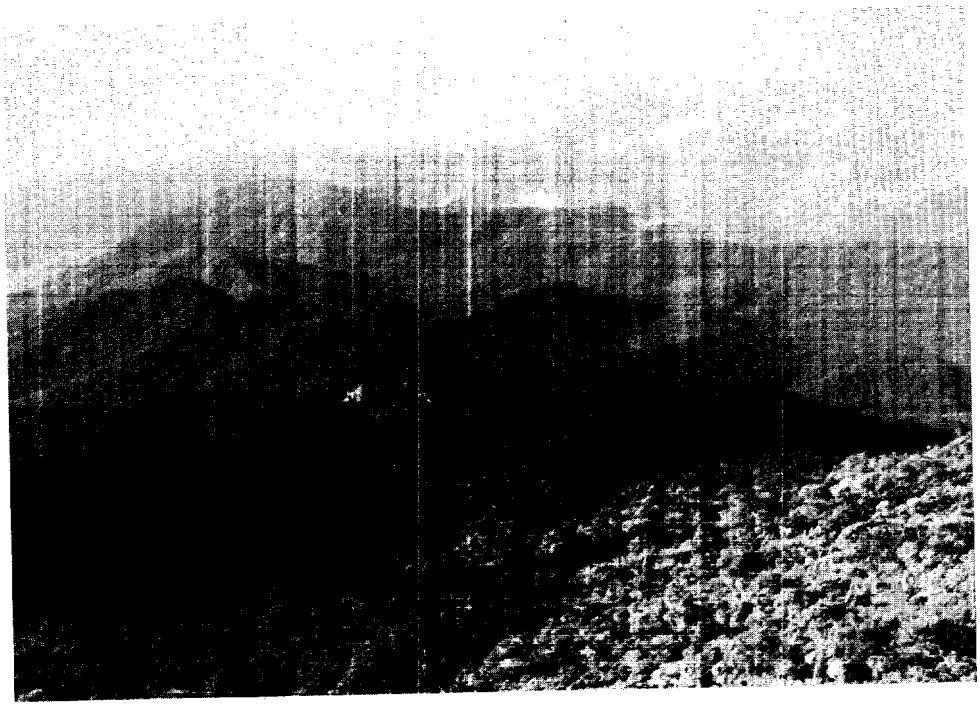


FIGURE 1. Rugged, densely forested terrain in interior Sabah. Such terrain is a barrier to the development of transportation between the western and eastern parts of the state.

level; those of the spur ranges, somewhat less. Individual peaks tower well above the ridgelines, with Mount Kinabalu, at 13,455 feet, the highest point on Borneo. The east coast is backed by stretches of heavily forested, poorly drained lowlands interrupted by better drained but equally densely wooded headlands.

4. About 80 percent of the state is blanketed by tropical evergreen forest. Nearly impenetrable stretches of mangrove and nipa palm border much of the coastline, whereas relatively open stands of primary rain forest containing buttressed trees up to 6 feet in diameter and 200 feet high occur throughout most of the interior. Where cultivated plots have been abandoned or trees commercially exploited, tangled "jungles" of secondary growths of smaller trees and undergrowth have sprung up. Nonforested land is confined to cultivated plots on the coastal plain along the South China Sea, which are planted to wetland rice or cash crops, especially rubber; to pockets along the east coast devoted mostly to cultivation of cash crops; to paddy fields extending through the less remote intermontane valleys (see Figure 2); and to patches on interior mountain slopes cleared for slash-and-burn farming.

5. The rugged, densely forested terrain prevalent throughout most of interior Sabah is poorly suited to conventional military operations. Should armed hostility develop between Malaysia and the Philippines, however, such terrain could

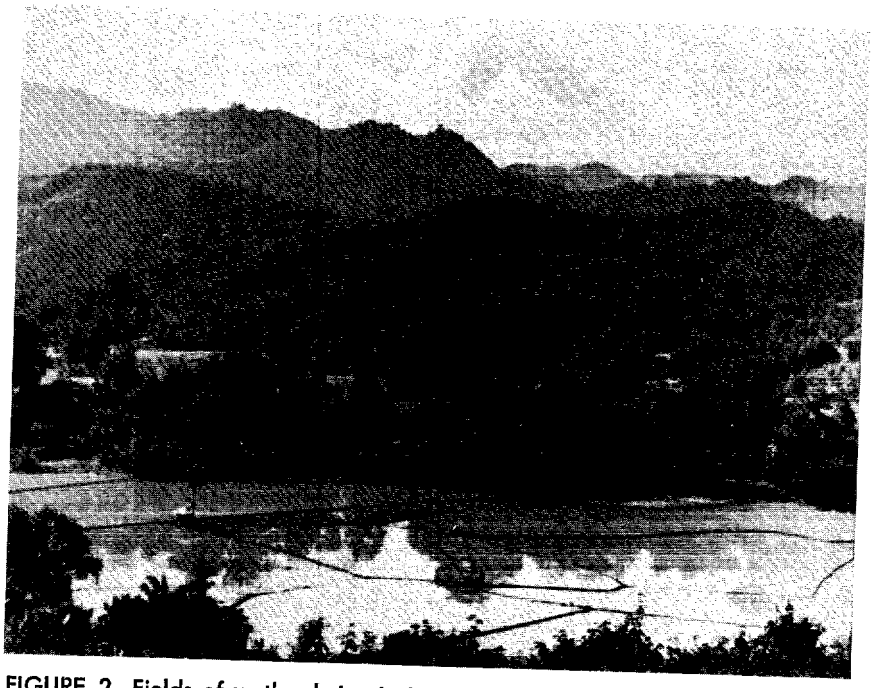


FIGURE 2. Fields of wetland rice in intermontane valley. Extensive tracts like these occur in the valleys as well as in the coastal lowlands. Mount Kinabalu, which towers to more than 13,000 feet in the background, is shrouded in clouds.

provide numerous havens for small teams engaged in paramilitary operations against targets in the relatively narrow coastal lowlands.

## MARINE APPROACHES

6. The coastline of Sabah is deeply indented, particularly in the northern and eastern sectors where Marudu Bay, Labuk Bay, Sandakan Harbour, Darvel Bay, and Cowie Harbour offer excellent anchorages. The major eastern economic centers—Sandakan, Lahad Datu, Semporna, and Tawau—are located on the shores of these indentations.

7. The nature of Sabah's coasts is varied. Sandy beaches suitable for the landing of conventional amphibious craft are most numerous along the west coast. Such stretches, up to 6 miles long and 175 yards wide at low tide, prevail where the coastline is straight. They are separated by muddy shores backed by mangrove swamps along the more sheltered embayments. A sandy beach particularly well suited to large-scale amphibious landing extends along the shores of Gaya Bay, north of Kota Kinabalu. Within 2 miles of this beach is a road parallel to the west coast; access to the road from the beach is over cleared ground. Eastern Sabah, with fewer stretches of straight coastline, has correspondingly fewer sandy beaches; muddy shores backed by impenetrable

mangrove swamps are the rule. Few sites are suitable for large-scale amphibious landings, and penetration in any direction from favorable sites would be precluded by dense jungle.

8. The many encumbrances off the Sabah coast would further limit large-scale amphibious operations. Approaches from the Sulu and Celebes Seas, in particular, present a maze of coral reefs, submerged rocks, sandbars, mudflats, and shoals. These hazards would not be major deterrents to operations using small craft, however, particularly when piloted by boatmen familiar with the local waters. Hundreds of such boatmen steer their craft daily through the encumbered waters of the Sulu Archipelago on their trading missions to Sabah's eastern ports. Small teams of agents could be infiltrated into Sabah from Sulu under cover of such missions.

## CLIMATE

9. The climate of Sabah is tropical, with little seasonal change. Temperatures are warm the year around but only rarely climb into the middle or upper 90's (Fahrenheit degrees). Although the area is subject to seasonal changes in prevailing wind direction (out of the northeast from October to April, out of the southwest from May to September, indeterminate during the transitional months of April and September), there is no pronounced wet or dry season as in most of Southeast Asia. Nor is there a clear pattern of geographical variation in rainfall. Figure 3 shows mean monthly and annual precipitation for selected stations.

10. Weather would not normally hinder conventional amphibious operations against Sabah. It could, however, deter maritime paramilitary operations using small craft. Although the seas surrounding the state are usually calm, occasional heavy seas and pounding surf from November through March, particularly off the west coast, could endanger personnel in such craft. Pilots of small craft

**Figure 3. Mean Precipitation**

Inches

| Station | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Ann |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Beaufort (5°20'N 115°45'E) | 13.2 | 9.2 | 10.0 | 13.8 | 14.7 | 11.8 | 11.6 | 11.1 | 15.3 | 16.4 | 14.3 | 13.2 | 154.6 |
| Kota Kinabalu (5°59'N 116°04'E) | 6.3 | 2.8 | 3.4 | 5.7 | 10.0 | 11.3 | 9.7 | 8.8 | 12.7 | 15.9 | 12.2 | 11.5 | 110.3 |
| Kudat (6°53'N 116°50'E) | 14.4 | 8.3 | 5.8 | 2.5 | 4.6 | 6.1 | 5.2 | 5.3 | 5.6 | 8.9 | 12.1 | 17.9 | 96.7 |
| Lahad Datu (5°02'N 118°19'E) | 8.9 | 5.0 | 5.5 | 3.9 | 6.7 | 6.4 | 5.5 | 3.3 | 5.9 | 6.6 | 6.6 | 8.6 | 72.9 |
| Pensiangan (4°33'N 116°19'E) | 8.0 | 6.1 | 8.8 | 13.5 | 15.3 | 12.7 | 7.6 | 8.3 | 9.9 | 11.4 | 9.0 | 7.7 | 118.3 |
| Ranau (5°58'N 116°41'E) | 11.5 | 4.6 | 5.3 | 5.0 | 9.5 | 7.3 | 5.1 | 6.6 | 7.4 | 6.2 | 7.1 | 9.0 | 84.6 |
| Sandakan (5°50'N 118°07'E) | 19.0 | 10.9 | 8.6 | 4.5 | 6.2 | 7.4 | 6.7 | 7.9 | 9.3 | 10.2 | 14.5 | 18.5 | 123.7 |
| Tawau (4°15'N 117°54'E) | 4.9 | 5.2 | 5.3 | 5.7 | 8.6 | 7.7 | 9.2 | 9.2 | 5.6 | 5.8 | 7.2 | 7.1 | 81.5 |

also would need to be wary of strong tidal currents in the eastern coastal waters, especially during the period March through May.

11. Air operations would be hindered from time to time by strong winds, turbulence, cloudiness, low ceilings, and poor visibility caused by heavy rain. Strong winds—often of gale force—could preclude parachute drops in coastal areas. Such winds may be related to typhoons that migrate northwestward across the Philippine Islands, particularly between July and November.

## POPULATION

### Size and Distribution

12. The population of Sabah in 1960, according to the census, was 454,421. That figure is estimated to have swelled by the end of 1968 to slightly more than 600,000—about 5.9 percent of the total population of Malaysia. Population density is about 20 persons per square mile overall, but it varies greatly from place to place. More than 65 percent of the people live on the western coastal plain, and most of the remainder are grouped in or near the major towns along the east coast; the interior is sparsely peopled. Settlement is essentially rural, with about 85 percent of the people living in towns or villages having populations of less than 2,000 (see Figures 4 and 5). The principal towns on the western side of the state and their estimated populations are Victoria (on the island of Labuan) 4,000, Kota Kinabalu (see Figure 6) 33,000, and Kudat (see Figure 7) 4,000; on the eastern side are Sandakan (see Figure 8) 40,000, Lahad Datu 2,000, Semporna 2,000, and Tawau (see Figures 9 and 10) 15,000. The eastern towns have grown rapidly in the past decade, principally because of the booming timber industry. They are isolated—Semporna and Tawau were not linked by road until 2 years ago—and must rely on air and sea connections with the rest of the state.

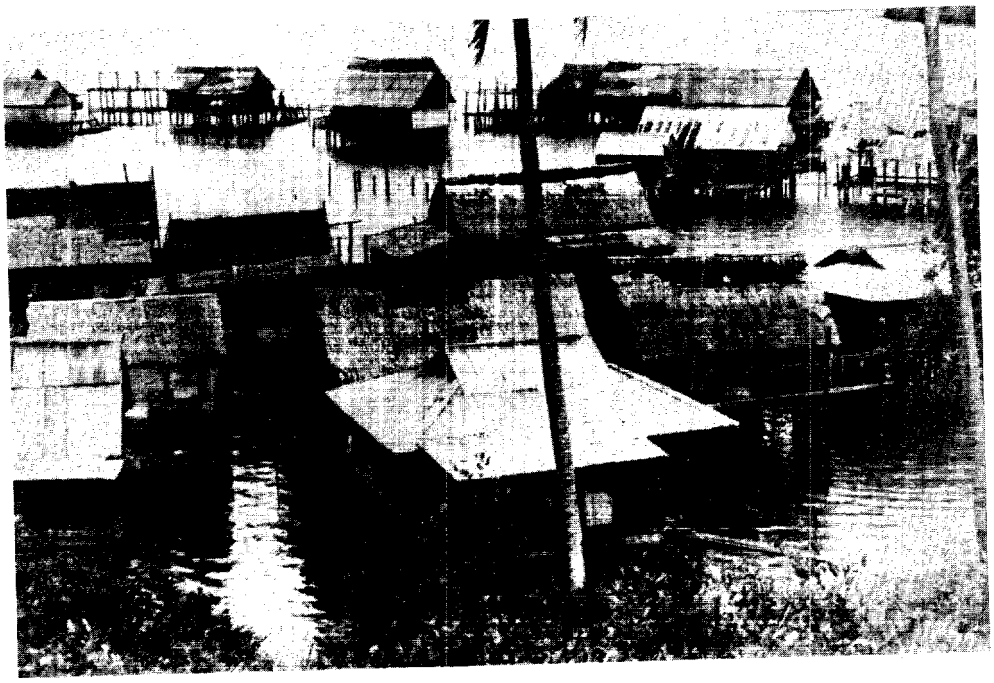
### Composition

13. The size of the individual ethnic communities in 1960 and their percentages of the total Sabah population are as follows:

| Ethic group | Population | |
|---|---|---|
| | Total | Percent of Total |
| Indigenous | | |
| Kadazan (Dusun) | 145,229 | 32.0 |
| Bajau | 59,710 | 13.1 |
| Murut | 22,138 | 4.9 |
| Other* | 79,421 | 17.5 |
| Nonindigenous | | |
| Chinese | 104,542 | 23.0 |
| European | 1,896 | 0.4 |
| Other** | 41,485 | 9.1 |

*Comprises Brunei, Kadayan, Orang Sungei, Bisaya, Sulu, Tidong, and Sino-native groups.

**Includes highly transient communities of Indonesians and Filipinos.



FIGURES 4 and 5. West coast villages. The houses are built over the water, on stilts, and have roofs of corrugated metal or nipa palm leaves. Coastal villages such as these are usually occupied by Muslim Bajaus, Orang Sungeis, or Sulus.

FIGURE 6. Business section of Kota Kinabalu, capital of Sabah. Although prosperous, business is less flourishing in major towns of the west coast than in towns of the east.

FIGURE 7. Small cargo vessels in Kudat harbor. Craft such as these (called kumpits) are used to smuggle cigarettes and other commodities into the southern Philippines.

FIGURE 8. Sandakan, largest city in the state. This eastern port is a major exporter of timber and agricultural products and also conducts flourishing barter with small craft from the Philippines.

FIGURE 9. Tawau. This southeastern port conducts particularly lucrative barter with merchants from the neighboring islands of the Philippines and Indonesia.

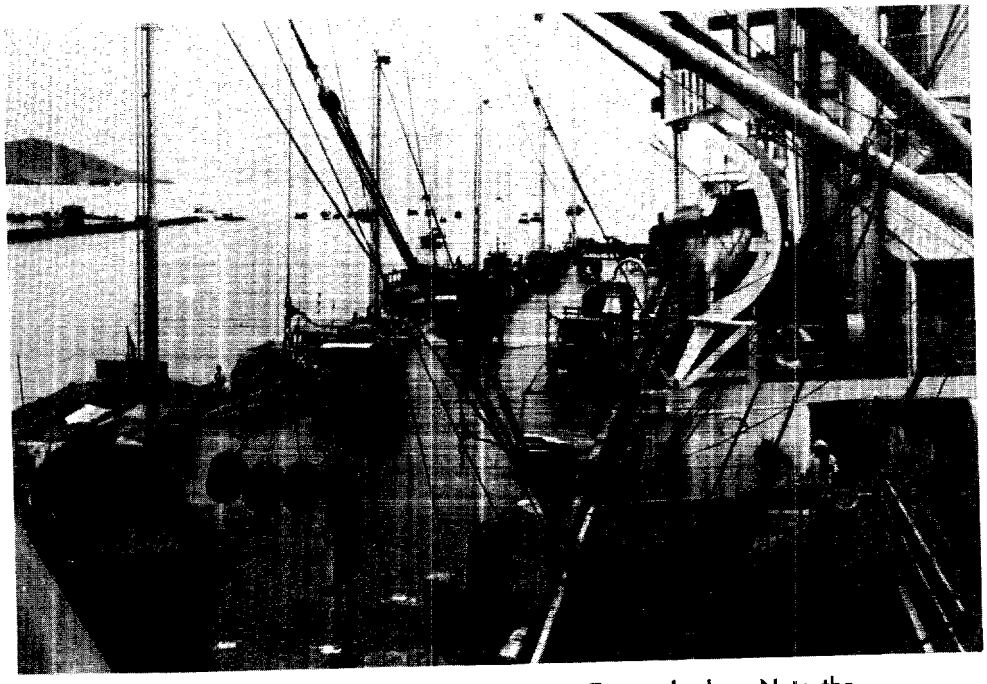


FIGURE 10. Freighter unloading cargo in Tawau harbor. Note the many small vessels in background.

14. Presumably the total indigenous and total nonindigenous percentages of the population have remained constant since 1960, although two elements of the nonindigenous population have changed. The size of the European community, small at the time of the census, has diminished further with the departure of most of the expatriates; the size of the "Other Nonindigenous" category has increased proportionately, as the expatriate European civil servants have been replaced to a great extent by Malays from West Malaysia.

15. Religious composition of the population, according to the 1960 census, was 37.9 percent Muslim (172,324), 16.6 percent Christian (75,247), and 45.5 percent "Other Religions" (206,850)—chiefly animist and Chinese faiths. Most of the Bajaus, Bruneis, Kedayans, Orang Sungeis, Sulus, and Filipinos are Muslims. The majority of the Kadazans, Muruts, Bisayas, and Tidongs are animists, although many have been converted to Christianity or Islam. Incorporation of heavily Muslim Sabah into the Philippines would aggravate that country's already ticklish problem of controlling its Muslim minority (about 1,500,000 people, or 4 percent of the total population, largely concentrated in the Sulu-Mindanao area).

16. Coastal fringes are populated by Bajaus and by some of the groups in the "Other Indigenous" category—principally Orang Sungeis and Sulus. Most live in boats or in houses built over the water on stilts. Coastal lowlands and major intermontane valleys are peopled principally by Kadazans (see Figure 11) and to a lesser extent by other groups in the "Other Indigenous" category—Bruneis, Kedayans, Bisayas, and Tidongs. The rugged mountains are inhabited by Muruts (see Figure 12). Most Chinese live in towns.

17. The Bajaus, like the Filipinos, have traditionally moved rather freely between the islands of the Sulu Archipelago and Sabah and have strong ancestral ties with the Sulu peoples. Although presumably only natives of Sabah were included in the nearly 60,000 Bajaus enumerated in the 1960 census, the "locals" and the itinerant seafarers from the Sulus (both of whom occupy houseboats along the southeast coast) mix freely and are difficult for a census enumerator to distinguish. Although counted as one community in 1960, the Bajaus actually comprise two distinct and geographically separated groups with little contact between them. Those of the southeast, called "Sea Bajaus," are a seafaring people who live along the shores of Darvel Bay between Lahad Datu and Semporna, with most occupying small boats the year round, fishing and trading in the bay and around the nearby Sulu Islands. The other Bajau group lives along the west coast between Kudat and Papar. Even though they commonly live in villages built on stilts out over the water, most of this group are farmers; hence the term "Land Bajau." Contacts with their ancestral homes in the Sulus are minimal, and growth of the community by immigration is slight.

18. A chronic labor shortage on the rubber and timber estates of eastern Sabah has been responsible for large-scale immigration into Sabah. The domestic labor force is small because most people are subsistence farmers. It also lacks mobility, so even though laborers may be unemployed in the west, eastern

FIGURE 11. Kadazan women in ceremonial attire. Kadazans form the largest ethnic group in the state. Unlike their Murut neighbors in the interior, many have been converted to Christianity or Islam and most are cultivators of wetland rice.

FIGURE 12. Women and children—probably Muruts—of hill village near Kudat. Such primitive peoples, who comprise only a small percentage of the population, are animists and practice slash-and-burn agriculture.

employers have had to hire from abroad. China and Hong Kong have traditionally supplied most of the alien laborers; many of them remained, as evidenced by the large number of Chinese in the state today. Because of Government fear of Communist subversion by Chinese immigrants, however, recruitment from China has ceased during the past two decades, and Indonesia and the Philippines have become the major suppliers. Immigration of Indonesians and Filipinos, like that of Chinese, has been fraught with political problems. Entry of Indonesians was curtailed during the Malaysia-Indonesia "confrontation" of 1963-66, and entry of Filipinos has been restricted (but not yet eliminated) during the past year or so. Because of the political problems associated with the importation of laborers from abroad, Malaysian officials have endeavored to promote the flow of workers from West Malaysia (where the unemployment rate is rising) to Sabah. Rubber tappers, in particular, have been encouraged to migrate. A Malaysian Migration Fund Board was established in 1966 to recruit and assist laborers to go to Sabah, but its efforts have produced only a trickle of workers into the state. Some of Sabah's indigenous political leaders have discouraged the Malaysian migration program because they fear that its real objective is the political, economic, and cultural subjugation of the state by West Malaysia.

19. Javanese formerly were the largest element of the Indonesian labor force in Sabah. Today, however, few Javanese remain. Of the 25,000 to 30,000 Indonesians currently estimated to reside in the state, most are from Kalimantan, Sulawesi (Celebes), and Timor. Although earlier Javanese laborers were recruited by Sabah employers, present-day Indonesian workers migrate voluntarily to the Sabah estates. Almost all Indonesians remain only a year or two, acquire a nest-egg, and then return home. The Timorese, who constitute perhaps half of the Indonesian community, reportedly are sent the 900 miles north by their Catholic pastors to earn dowries before returning home to waiting brides. Most of the Indonesians work and live on the eastern timber, rubber, and oil palm estates, with the largest community centered on Tawau. There is little contact between immigrant Indonesians and indigenous people; nor is there much contact among the various Indonesian groups (such as the Bugis and Makasarese from Sulawesi, or the Timorese). The Indonesians do not engage in local politics, and those who remained in Sabah during "confrontation" were impervious to Indonesian attempts to subvert them.

20. The number of Filipinos in Sabah is estimated at 25,000 to 30,000—about the same as the number of Indonesians. Members of the Filipino community who were born in Sabah are difficult to distinguish from those who are citizens of the Philippines. For most, however, the Sulu Islands are the ancestral home.* The majority are transient laborers who, like the Indonesians, come to eastern Sabah to work on timber concessions, rubber and oil palm estates, or public works gangs, then return home after acquiring a nestegg. The timber concessionaires formerly recruited labor in the Philippines, but depressed economic

*The 1960 census recorded 11,080 Sulus in Sabah, which included only those of Sulu ancestry who were born in the state. The Sabah Controller of Immigration, in a September 1968 news conference, claimed that there were 21,209 Filipinos in the state.

conditions in the Sulus combined with the booming economy of Sabah now provide the impetus for voluntary migrations. The better economic conditions in Sabah, moreover, have encouraged many of the migrants from the Sulus to remain in Sabah, and the second-generation Filipino community in the state is now substantial. Increasing numbers of Filipinos, particularly among the second generation, are becoming Malaysian citizens.

21. There is a substantial Christian minority in the Filipino community in Sabah; in July 1968 the American Consul at Kuching, Sarawak, estimated that as many as 10,000 were of that faith. Christian Filipinos are of obscure origin, but presumably they came from neighboring regions in the Philippines—Mindanao and Palawan as well as the islands of the Sulus. Unlike Muslim Filipinos, who assimilate with relative ease, Christian Filipinos have no significant ties with any ethnic community in Sabah and, consequently, form a distinctive community. Many of them are active in the Philippine Association, a communal protective and patriotic organization with only a minority of Muslim members. (The association emphatically opposes the Philippine claim to Sabah.) Christians generally have better paying jobs than their Muslim brethren; many who hold Malaysian citizenship occupy senior civil service positions, especially in the Public Works, Education, and Forestry Departments.* Few of the transient laborers are believed to be Christian.

22. Although some Filipinos in Sabah claim that they are discriminated against in job promotion, most are content, politically impassive, and not regarded by Malaysian officials as a serious subversive threat. Attitudes among the Filipinos in Sabah toward the Philippine claim to the state are impossible to gage. In view of the ancestral connections that most of them have with the Sulu Islands, where grievances with the Philippine Government are longstanding, few Sabah Filipinos are likely to sympathize with the Philippine claim.** Thus, although Philippine agents could easily infiltrate into Sabah, they would be unlikely to gain significant support from the Filipinos resident there. Furthermore, even if such sympathies were to develop among the Sabah Filipinos, desire to avoid political involvement so as not to provide the Malaysian Government with grounds for expulsion or internment would discourage open support for the claim.

23. If the Filipino community were to become more sympathetic to the Philippine claim, Malaysian authorities would probably consider expulsion of transient laborers and relocation of permanent residents into "new villages," as was done with large numbers of Chinese during the Communist emergency in Malaya in the 1950's and in Sarawak during the Indonesian "confrontation." Such actions

---

*Tun Mustapha, Chief Minister of Sabah, was formerly a citizen of the Philippines, claiming birth on Cagayan Sulu Island, 150 miles or so northwest of the main Sulu group. He reportedly has relatives in Jolo and in the Tawi Tawi island group.

**Little sentiment has been generated in the Sulus for the Philippine claim, according to a US Embassy officer who traveled through the archipelago in early 1968. He believes, however, that underemployed or disaffected individuals on both sides of the boundary could probably be recruited for armed action in support of the claim.

would be difficult and expensive, however, because of the scattered distribution of the people, and they would be disruptive economically because of the heavy reliance on the Filipino labor force. Transient Filipino laborers now in Sabah are likely to be permitted to apply for renewal of work passes after expiry, and the influx of Filipinos, although it probably will be more tightly controlled, is likely to continue for some time.

## ECONOMY

24. Sabah's economy is based on the extraction of timber and the cultivation of cash crops. Forty to forty-five percent of the state's rice requirements must be imported. Industry is confined to processing products for export and to preparing foodstuffs and consumer goods for local markets.

25. A marked disparity between west and east characterizes the economic development of Sabah. The western economy developed during the first half of this century, based on the rubber industry, and has stagnated in recent years with the decline in rubber prices on the world market. This region is relatively well populated, has a number of fair-sized towns, and has adequate transportation facilities.

26. The economy of eastern Sabah, in contrast, is booming. The tremendous growth of the timber industry in the past two decades is reflected in the prosperous and bustling coastal towns of Sandakan, Lahad Datu, Semporna, and Tawau. Cargo vessels, some to be loaded with timber or agricultural products of the hinterland and others carrying goods illicitly between Sabah and Indonesia or the Philippines, jam their harbors. Because of the recency of economic development and the still inadequate transportation network, however, much of the eastern region, like the interior, remains undeveloped and has untapped resources.

27. Large foreign-owned companies, mostly British, have long dominated the economy of eastern Sabah. Chief among them is Harrisons & Crosfield, a British firm that has maintained economic preeminence in the state for more than 50 years. It controls timber concessions, rubber, palm oil, and copra estates and also has importing rights for European and US products. Competition from other concerns, however, is growing. The eastern businessmen (mostly Chinese) generally resent the western-based state government, as they feel that it milks revenues from resources of the east to benefit the west.*

28. In 1967, timber accounted for 77.3 percent of the state's export earnings, having risen from only 8 percent in 1950 and 41 percent in 1960. This rise was primarily at the expense of rubber, which had accounted for 71 percent of the export earnings in 1950, dropped to 22 percent in 1960, and sunk to only 6.4 percent in 1967. Palm oil and copra, along with rubber, are minor con-

*Similarly, a feeling prevails throughout Sabah that the Federal Government in Kuala Lumpur extracts revenues from the state without proportional return in terms of economic and social development.

tributors to the state's economy. Fish products and agricultural commodities such as abaca and cocoa account for most of the remaining income.

29. Sabah is rich in timber reserves (see Figures 13 and 14). Logging is concentrated largely in the east among British and US concessions. Most of the logs are exported to Japan, but some go to other Asian countries as well as to Australia, Europe, and the United States. Sabah supplies more than one-fourth of the world's exports of hardwood logs; softwood varieties for plywood and pulp are also extracted. Because skilled labor and cheap power are in short supply, little of the timber is converted to finished products. Efforts are being made to introduce local processing, however, in order to diversify the markets and broaden the base of the state's economy.

30. Rubber production has remained steady in recent years (an average of somewhat more than 23,000 tons annually). Although still the chief agricultural export, rubber's relative contribution to export earnings has declined because of falling prices and the tremendous increase in timber production. Much of the mature rubber remains untapped, and expansion of the industry has been thwarted by a shortage of tappers. Replanting of high-yield trees has been slow. An increasing number of estates are becoming moribund, and smallholdings have surpassed large plantations in total acreage and production. Most rubber is cultivated on the western coastal plain, but some is grown near Sandakan and Tawau.

31. Oil palm, first planted in Sabah in 1958 as part of a Government program to diversify the economy, is expected to become a significant earner of foreign exchange in the next few years (see Figure 15). Although the 1967 production of 9,620 tons of palm oil accounted for only 1.5 percent of export earnings, acreage is rapidly expanding and, if current sharp price declines do not continue, the crop is expected to overtake rubber as the major agricultural export by the early 1970's. Palm oil is produced both on smallholder plots and on estates. Most of the production comes from several large estates near Sandakan and in the Labuk Valley.

32. Copra is produced from coconuts grown on small holdings and estates along the coast, particularly in the West Coast and Tawau Residencies. In 1967 Sabah exported 13,831 tons, a substantial decline from the previous year. Export figures include not only domestic production but also re-exports of copra acquired by barter in eastern ports (principally Tawau) with merchants from Indonesia and the Philippines. The volume of such trade depends on prevailing political relations between Malaysia and these two countries as well as on economic conditions within Indonesia or the Philippines. During "confrontation," for example, the amount of copra brought into Sabah from Indonesia diminished (although not substantially). The 1967 decline was due largely to more stringent controls imposed by Indonesia on the movement of agricultural commodities, including copra, from Sulawesi and Kalimantan to Sabah. Such illegal traffic creates a significant revenue loss for Indonesia. Although figures are not yet available, copra exports from Sabah may have dropped further in 1968, reflect-

FIGURE 13. Logging operations near Lahad Datu.

FIGURE 14. Log ponds near Sandakan. Although most timber is exported as logs, some is processed in the state, as evidenced by the sawmills in this photograph.

FIGURE 15. Oil palm estate near Kota Kinabalu. Oil palm is grown in both the western and eastern parts of the state, but most large estates are in the east. The crop is expected to contribute significantly to the state's economy in the next few years.

ing the decline in barter after the implementation of the antismuggling agreement with the Philippines.

33. Extensive mineral resources have long been thought to be hidden in Sabah's vast unexplored tracts, but surveys have uncovered only one economically exploitable deposit. The surveys have not been exhaustive, however, and further investigations—particularly in the Labuk Valley where conditions for mineralization appear to be favorable—may reveal additional minerals in commercially exploitable quantities. A Japanese firm has been awarded mining rights for the lone exploitable deposit so far discovered, located on the southeastern slopes of Mount Kinabalu, about 48 miles east of Kota Kinabalu. Geological and geophysical surveys and borings indicate a substantial vein of copper with associated tracings of gold, zinc, molybdenum, and mercury. The company hopes to begin mining copper within the next 2 years.

34. Unlike neighboring Brunei, Sarawak, and Kalimantan, Sabah has no producing petroleum fields. Various international interests—principally Esso and Shell but also French and Japanese firms—however, have undertaken offshore and coastal exploration in recent years. Prospects to date are indeterminate.

35. The Philippines for years has had to contend with the smuggling of goods (principally US cigarettes) from Sabah, with resultant loss of revenue to Philippine customs. Malaysia considers such trade to be legal, and Chinese businessmen in Sabah's eastern ports have long profited from providing the contraband (mostly reexported from Hong Kong) for the smugglers. Nevertheless, Malaysia

agreed to sign an antismuggling pact with the Philippines in 1967.* The pact placed Philippine customs stations in Sandakan, Semporna, and Kota Kinabalu and was followed by Malaysia's establishment of a border pass system that allowed the holder a 2-week stay in the state without visa. Despite such controls, smuggling continued to flourish. By the autumn of 1968, sizable numbers of Sulu traders were still visiting Sabah's eastern ports to trade or sell their goods, although they were encountering difficulty in obtaining permits from Sabah authorities to leave the harbor areas and enter the towns. With the deterioration of relations with the Philippines, Malaysia in September 1968 abrogated the antismuggling pact and by November had introduced a bill to revoke the border pass system. Smuggling has increased enormously since that date.

## TRANSPORTATION

36. The only railroad on Borneo is in Sabah—a 96-mile, meter-gage line between Kota Kinabalu and Melalap. All of the principal towns along the west coast are connected by roads (see Figure 16). Except for the recently completed road between Tawau and Semporna, however, no roads as yet connect the major towns of eastern Sabah. Nor is there a road between the eastern and western parts of the state. An 89-mile gravel road does extend from Sandakan westward through the Labuk Valley as far as Telupid. In 1968 Australian engineers began constructing a 45-mile extension across the rugged, heavily forested mountains to connect with a road crossing the western coastal plain from Kota Kinabalu to Ranau. Completion of the new stretch, scheduled for 1973, will accelerate the economic integration of west and east and will greatly enhance the mobility of the labor force. All of a road linking the eastern ports of Tawau and Lahad Datu, except a segment north of Kunak, has been completed (see Figure 17); plans call for a road to connect Lahad Datu with Sandakan, thence to extend northwestward across the mountains to Langkon, south of Marudu Bay.

37. Most cargo moves between the Sabah ports and between Sabah and ports in the rest of Malaysia in small ships (under 1,000 gross register tons) of the Malaysian merchant marine. Cargo movement between Sabah and other Asian countries utilizes foreign vessels, mostly flying the flags of Great Britain, Japan, the Netherlands, Norway, and Panama.

38. Malaysia-Singapore Airlines (MSA) has daily flights connecting the major towns of Sabah with one another as well as with Brunei, the principal towns of Sarawak, and Singapore. MSA and Cathay Pacific both have twice weekly flights connecting Kota Kinabalu with Hong Kong. The Malaysian Government is currently expanding air facilities in the state.

*Smuggling had actually declined before the antismuggling agreement was signed, largely because a lowering of the tax on cigarettes in the Philippines had reduced the demand for the Hong Kong products.

FIGURE 16. All-weather road which extends along entire west coast. Roads in the western part of the state are generally adequate for existing traffic.

FIGURE 17. 1960 view of road between Tawau and estate at Quoin Hill. This road is being extended northward to connect with Lahad Datu.

APPENDIX

# SOVEREIGNTY DISPUTE

## HISTORY

Rival political powers have made conflicting claims to much of present-day Sabah through the years.* In 1704 the powerful Sultan of Brunei, whose domain included all of Borneo, ceded to the Sultan of Sulu the coastal territory between the Kimanis River in the western part of present-day Sabah and the Sebuku River in the northeastern part of present-day Kalimantan. The cession was made in return for military aid in one of the many territorial squabbles of the day. No formal deed or treaty is known to have existed, and subsequent Brunei sultans, denying that the cession took place, continued to claim the "ceded" territory. Although the Sultan of Sulu never exercised sovereignty over any part of Borneo during the ensuing years, he did not relinquish his claim and attempted at times to dispose of the territory for financial gain.**

During the 18th and 19th centuries the north and east Borneo coasts actually were under the control of independent principalities inhabited by pirates who menaced shipping in the region. As the pirates grew bolder and richer, the powers of the Brunei and Sulu Sultanates waned. In the middle of the 19th century, although not occupying any of Borneo, the Sultan of Sulu still claimed ownership of the coastal tract ceded to him in the early 18th century by the Sultan of Brunei.

In 1877 the Sultan of Brunei, contending (as had his predecessors) that the 1704 cession to Sulu had never occurred, ceded his claim in perpetuity to a partnership formed by Baron von Overbeck, an Austrian entrepreneur resident in Hong Kong, and Alfred Dent of the British business house of Dent Brothers. The following year, after learning of the unsubstantiated Sulu claim, Von Overbeck acquired for the partnership a grant of essentially the same piece of land from the Sultan of Sulu. On the west coast the Sulu grant extended only to the Pandasan River, approximately 70 miles north of the Kimanis River, whereas the Brunei grant extended to the Kimanis River. Both grants extended southward

* For a more detailed historical account of the current Philippine claim to Sabah, see "Historical Notes on the North Borneo Dispute," by Leigh R. Wright, in the *Journal of Asian Studies*, vol. XXV, No. 3, May 1966. For a discussion of the current political aspects of the claim, see *Sabotaging Sabah*, by Willard A. Hanna, American Universities Field Staff Southeast Asia Series, vol. XVI, No. 15, Sep. 1968.

**In the Sulu-British treaties of 1763 and 1764, for example, the Sultan of Sulu purportedly awarded his Borneo territory to the British East India Company.

on the southeast coast to the Sebuku River (see map). Because interior Borneo was almost completely unexplored, neither grant designated interior boundaries. Von Overbeck and Dent agreed to pay 5,000 Malay dollars a year to the Sultan of Sulu. These payments were made regularly to the Sultan and, after 1936, to his heirs. In 1962 the heirs transferred their Sabah claim to the Philippine Government.

Six months after the 1878 grant by the Sultan of Sulu to Von Overbeck and Dent, Spain—which had controlled most of the Philippine Islands since the 16th century—annexed the Sulu territories and tried to reestablish the Sultan's claim to territory on Borneo. The attempt failed, however, and in 1885 Spain agreed to renounce all claims to the Sultan's Borneo property in exchange for Great Britain's recognition of Spanish soverignty over the Sulu Archipelago.

In 1881, Great Britain granted a royal charter to the Dent Brothers (who had bought out Von Overbeck), thus establishing the British North Borneo (Chartered) Company. North Borneo became a British protectorate in 1888 and a crown colony in 1946. It was made a state within the Federation of Malaysia in 1963 and has since been known as Sabah.

## CURRENT STATUS AND PROSPECTS

The current dispute between Malaysia and the Philippines hinges upon the translation of the Sulu document that ceded the Borneo territory to Von Overbeck and Dent in 1878. The document was executed in the Malay language (written in arabic script) and apparently translated into English some time later. The English version uses the terminology "grant and cede . . . forever and in perpetuity." The Philippine Government claims that the word "cede" was wrongly translated from the Malay and should have read "lease"; it further argues that the annual payments made by the British North Borneo (Chartered) Company—and later by the British and Malaysian Governments—to the Sultan of Sulu and his heirs imply a lease, not a sale. The British and Malaysians, on the other hand, maintain that the document clearly states a transfer "in perpetuity" and is therefore binding under international law. Both versions connote, however, precise legal meanings to terms that were used only vaguely.

The 82 years of virtually unchallenged British administration of the territory would appear to diminish the legitimacy of the Philippine claim, voiced intermittently since the Philippines gained independence in 1946 but pressed only since 1963. The United States, during its colonial rule of the Philippines (1898-1946), recognized British sovereignty in North Borneo. A US-Great Britain convention of 1930 defined the boundary between Philippine and North Borneo territory, and a 1932 exchange of notes between the two countries acknowledged that North Borneo was under British protection.

Even if the current hassle is resolved in favor of the Philippines, the question of boundary alinement will remain. The Sulu cession to Von Overbeck and Dent in 1878 is described vaguely and would be practically impossible to

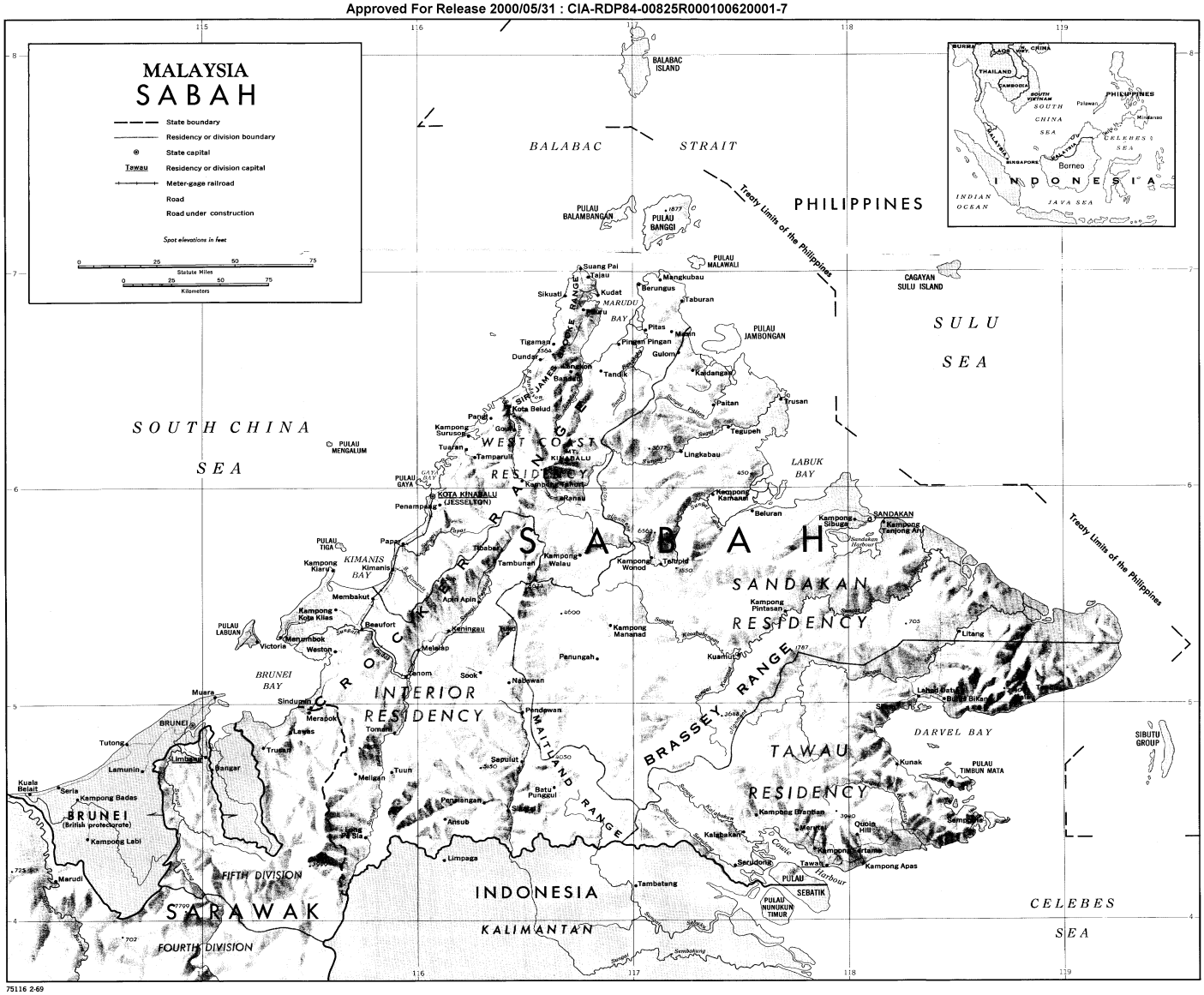
demarcate on the ground. The section of the 1878 document that describes the territorial extent reads as follows:

> . . . commencing from the Pandasan River on the northwest coast, and extending along the whole east coast as far as the Sibuku [Sebuku] River in the south, and comprising, amongst others, the states* of Paitan, Sugut, Bangaya, Labuk, Sandakan, Kinabatangan, Mumiang, and all the other territories and states to the southward thereof bordering on Darvel Bay, and as far as the Sibuku River, with all the islands within three marine leagues of the coast.

Pressing for resolution of the claim described above would inevitably bring the Philippines into conflict with Indonesia, as the claim includes a plot of land of indeterminate extent south of the Malaysia-Indonesia boundary. The latter boundary was defined in an 1891 convention between Great Britain and the Netherlands, which controlled the Dutch East Indies until 1949.

---

*Apparently independent coastal or riverine principalities.



Reproduction Number
assigned by PD —

661-364

Approved For Release 2000/05/31 : CIA-RDP84-00825R000100620001-7