

Malaysia-Singapore

263. Action Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk¹

Washington, July 13, 1964.

SUBJECT

Substantive Aspects of the Visit of the Prime Minister of Malaysia

Discussion

The Prime Minister of Malaysia will seek to convince us that Indonesia intends to carry out its avowed policy of crushing Malaysia and driving the West from the area, thus complementing Communist strategy in Southeast Asia.² He will seek to demonstrate the need for the United States to provide forthright, concrete support for Malaysia in the face of Indonesian confrontation. He will indicate, if not state, his opposition to the continuation of our aid to Indonesia in any form.

Our problem is to reaffirm our support for Malaysia and make some tangible gesture of encouragement without involving the United States in either the substance of the dispute or in substantial new commitments in Southeast Asia, and without needless aggravation of our relations with Indonesia.

There are several alternatives:

1) Economic Assistance Program.

Such a program cannot be justified at this time since Malaysia has a relatively good economic situation, possibilities of additional revenues through taxation, substantial reserves and unexploited opportunities for borrowing from the IBRD, other friendly western governments and commercial sources.

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15-1 MALAYSIA. Confidential. Drafted by Moscotti; cleared in draft with G/PM, AID, and DOD; and sent through Harriman who initialed it.

² In a Special Report SC No. 00612/64B, March 27, prepared by the Office of Current Intelligence, the Central Intelligence Agency concluded that Indonesia's policy of confrontation had diverted attention from Malaysia's serious internal problems, primarily communal friction among the Chinese and Malays throughout Malaysia, Malays on Borneo and on the mainland, and between Chinese elements on the mainland and the rest of Malaysia. The CIA stated that the federal government "apparently is either not interested in pulling the four disparate parts of Malaysia together or is unable to do so. Malaya (the mainland), Singapore, Sabah, and Sarawak are scarcely more united now than they were when formally merged last September." The CIA suggested that without the "cohesive effect of the Indonesia confrontation, the federation might already be disintegrating." (Johnson Library, National Security File, Country File, Malaysia, Vol. I, Memos, 11/63-3/64)

2) Other Types of U.S. Assistance.

There are 330 Peace Corps Volunteers in Malaysia at present and there is little possibility of expanding this program. We are informally assisting the Malaysians in locating sources of technical information, facilities for training in U.S. Government and private institutions, and intend to expand this so-called "non-AID aid" which does not require any special budgeting of U.S. funds. We have already informed the Government of Malaysia of this activity.

3) Military Sales on Credit Basis.

We have told the Malaysians on several occasions that we would be willing to assist them in the purchase of military equipment in the U.S. and to explore all available U.S. Government and commercial sources of credit to secure the best possible terms once they had submitted firm requests for material. They recently requested price and availability data on certain heavy military equipment (armored personnel carriers and anti-aircraft guns). We propose to meet this and future requests for such information and to sell such equipment on the best credit terms available to the Department of Defense.

4) Military Training.

The Prime Minister has informally expressed an interest in training Malaysian officers in the U.S. We believe a small military training program, involving not more than ten officers and costing approximately \$100,000 a year, would offer important political advantages at low cost. It would demonstrate both to Malaysia and to Indonesia U.S. support for Malaysia in concrete terms. Indonesia could not logically take exception to such a program since Indonesian officers are already being trained in the U.S. Such a program would also give us contact with young Malaysian officers who may become national leaders in the future.

5) Public Statement of U.S. Support for Malaysia.

I believe we should use the joint communiqué which will be issued after the Prime Minister's meeting with the President to reaffirm our support for Malaysia, but that we should not agree to language criticizing or commenting on Indonesia's policy of confrontation. To do the latter would neither add to Malaysian strength nor contribute to a relaxation of confrontation and might instead encourage greater Indonesian intransigence. We should be pro-Malaysia, not anti-Indonesia.

If response to criticism of our aid to Indonesia is indicated, I suggest we point out that unlike Malaysia, the structure of the Indonesian government rests entirely on one man; that we must look beyond Sukarno to the uncertainty perhaps chaos which is likely to follow his departure from the scene; that in our common interest we must maintain contact with elements in Indonesia that can prevent an outright Communist takeover; that our assistance to Indonesia is carefully

screened to eliminate elements which would contribute to Indonesia's ability to prosecute its military pressure on Malaysia.

*Recommendation*³

1) That we suggest to the Prime Minister that the Chief of the Armed Forces Staff of Malaysia be invited to the U.S. to visit U.S. military training establishments with a view to the possibility of setting up a small U.S. military training program for Malaysian officers.

2) That we reaffirm to the Malaysians our willingness to assist them in securing the best credit terms available for the purchase of military equipment, and that we ask the Department of Defense to provide the Government of Malaysia with appropriate information on military equipment in which they express an interest.

3) That we recommend to the President that a forthright statement of our support for Malaysia be included in the communiqué covering talks with the Tunku, but that we also recommend against the use of this communiqué as a vehicle for castigating Indonesia.

³ Rusk approved all three recommendations on July 15.

264. Memorandum From Secretary of State Rusk to President Johnson¹

Washington, July 20, 1964.

SUBJECT

Your Meeting with Prime Minister Tunku Abdul Rahman

A. *The Prime Minister*

Cambridge-educated, fluent in English, the Tunku (Prince) is a *warm-hearted, genial man* of 61 who is known as the father of his multiracial nation.

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 MALAYSIA. Secret. There is no drafting information on the memorandum. A typed note reads: "Sent to White House via Briefing Book 7/20/64."

A skilled politician, he was a principal leader in the 1948-60 fight against Communist terrorism, led the country to independence in 1957 and has since dominated Malayan and Malaysian politics.

He visited here in the fall of 1960, is strongly anti-Communist and friendly to the West.

B. His State of Mind

The Tunku is deeply troubled by almost two years of Indonesian hostility to Malaysia. He comes from strenuous efforts to win further support from the Commonwealth Conference in London.

C. His Objectives

1. To explain Malaysia's position as *the aggrieved party in the Indonesia-Malaysia dispute.*
2. To place Indonesia's "crush Malaysia" campaign in the context of the Communist strategy of driving the West out of Southeast Asia.
3. To evoke (a) *a more forthright American public statement supporting Malaysia against Indonesia,* and (b) *some tangible demonstration of this support.*

D. Our Objectives

1. To emphasize our *determination to resist Communist efforts to drive us out of Southeast Asia.*
2. To *reaffirm our support of Malaysia.*
3. To *explain the rationale of our Indonesian policy.*
4. To *prevent the Tunku's visit from exacerbating the Malaysia-Indonesia problem and poisoning our relations with Sukarno.*

E. Major Topics of Your Talks Are Expected To Be:

1. U.S.-Malaysian Relations

The Tunku will express satisfaction with our relations and gratitude for your statements of support for Malaysia and the Peace Corps program.

2. Indonesian Confrontation

The Tunku will discuss the economic and military burden of resistance to Indonesia and, without directly asking for it, imply that Malaysia merits aid as a beleaguered standard bearer for the West in Southeast Asia.

He will cite the recent Mikoyan visit to Indonesia as evidence that confrontation serves the Communist effort to drive the West from Southeast Asia. He will maintain that U.S. aid to Indonesia, even at its present low level, serves to prop up Sukarno and harass Malaysia.

You might say:

We are proving in Viet-Nam our determination to resist Communist aggression. (Note Malaysia's assistance to Viet-Nam in training and material.)

Both you and President Kennedy have expressed publicly U.S. support of *Malaysia*, which we are prepared to reaffirm. As further evidence of our position we would propose to invite the Malaysian Chief of Staff, General Osman, to visit the United States to inspect our military schools to help develop a *training program for Malaysian officers*.

We have *no illusions about Sukarno*. But *Indonesia*, now and in the future, is of the *utmost importance to all of us*, not least to Malaysia itself. *Our aid to Indonesia has been sharply reduced* and we are satisfied that it is *not helping Indonesia militarily*. It is, however, *permitting us to maintain some contact with key elements in Indonesia which are interested in and capable of resisting Communist takeover*. We think this is of vital importance to the entire Free World.

We appreciate the Tunku's patient efforts to reach a negotiated settlement with Indonesia. Note continuing efforts of the Philippines and Thailand to assist. *The door should be kept open for an Asian settlement*, and the Tunku should seek to improve his relations with the Philippines.²

Averell³

² President Johnson met with Prime Minister Tunku Abdul Rahman of Malaysia on July 22 from 12:04 to 12:29 p.m. Only the President and the Prime Minister were present so no memorandum of conversation was made beyond a one-line memorandum of acknowledgment of the private nature of their meeting. (Ibid. and Johnson Library, President's Daily Diary) For a second-hand account of the meeting, see Document 265.

³ Averell Harriman signed for Rusk above Rusk's typed signature.

265. Memorandum of Conversation¹

Washington, July 23, 1964.

SUBJECT

Conversation with Malaysian Secretary for External Affairs

PARTICIPANTS

Dato Muhammad Ghazali bin Shafie, Permanent Secretary for External Affairs, Malaysia

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 MALAYSIA. Secret. Drafted by Cuthell and approved in M on August 11.

W. Averell Harriman
William P. Bundy, FE
James D. Bell, Ambassador to Malaysia
David C. Cuthell

The following is a summary of the principal points covered during a 45-minute conversation with Ghazali today.

Tunku's Meeting with President Johnson

Governor Harriman noted that the President had met privately with the Tunku and that we were interested in learning the Tunku's understanding of what had happened. Ghazali said that he had talked with the Tunku in general about the visit, and had found him extremely pleased at the nature of his reception and at the President's warmth. The Tunku had told Ghazali that he and the President had discussed Malaysia's current problems, and reported that the President had offered help in the form of military training and sales of military equipment. The Tunku had not expressed interest in details on these two subjects and would leave it up to his "technical people" to work matters out with us. Ghazali expected that the next step would be for Inche Abdul Kadir bin Shamsudin (Secretary for Defense) to go into more detail with Defense in regard to general types of equipment and training needed as well as financial considerations, but felt that no precise agreements would be sought by the Malaysian side at present. He seemed aware that the President had suggested that the Tunku send General Osman to the United States, and thought that Osman's visit might be a good time for more precise equipment sales arrangements to be made. Ghazali felt that the Tunku was more concerned about the general friendly atmosphere he had encountered than in the precise nature of the military arrangements discussed.

Draft Communiqué²

Ghazali accepted the changes which had been made in his version of the draft communiqué without hesitation. Governor Harriman explained to him that we could not use a word like "assistance" in referring to what we were willing to do to help Malaysia, as this carried with it, in a military situation, the connotation that we would be willing to commit troops to the defense of Malaysia. This, the Governor said, we were not contemplating. Ghazali made it clear that he quite understood our position and that he was well aware that American troops would not be engaged.

² For the communiqué as released, see *American Foreign Policy: Current Documents*, 1964, pp. 899-900.

Philippines

Ghazali said that during his last visit to Kuala Lumpur Lopez had specifically told him and most of the cabinet, individually and collectively, that the Philippines would normalize its relations with Malaysia if the Tunku went to the summit meeting in Tokyo. As a result, the Malaysians feel that they have been let down. He indicated the usual Malaysian lack of respect for the Sabah claim, but felt that the subject could be satisfactorily handled if the Filipinos would abandon their present insistence on reference of the case to the ICJ, and would agree instead to meet bilaterally with Malaysia to discuss the political and financial implications of the claim and to seek joint agreement as to what channel should be used in trying to resolve it. Ghazali noted that Malaysia would have great constitutional problems if it agreed to the International Court in advance, as this would require currently unobtainable approval by the Sabah legislature. He felt that, if Sabah representatives were included in the preliminary talks with the Filipinos however and these talks reached the agreed conclusion that the Court was the only suitable channel, Sabah would be willing to go along. He felt, however, that Philippine opposition to Malaysia had tapered off, and was not a problem any longer.

In regard to general Philippine policy, Ghazali agreed to the general assessment that the Philippines has moved from support of Indonesia to general neutrality, but characterized Philippine policy as still being based on their assumption that they had a useful moderating role to play. Ghazali said that perhaps they did have such a role, but indicated that he did not think so. He agreed that at this point President Macapagal seems to be genuinely anxious to reach a settlement, but seemed in no way disappointed that Lopez had apparently withdrawn from the picture.

Current Situation in Indonesia

Ghazali expressed the view that the basic trouble with Sukarno is that he is extremely badly informed both about conditions in his country and about foreign attitudes towards it. He affirmed his view that Sukarno is not a Communist but felt that Communist influence on him is very great and that the strength of the PKI is increasing. He dismissed Nasution as having no further real capacity for major influence in Indonesia and seemed to feel that General Yani was much more likely to be the leading military man in the period ahead. At the same time, he called Yani a complete opportunist, said that Yani had been brought to Tokyo by Subandrio, and made it clear that he regards Yani as being currently lined up with Subandrio.

Possible Yani Visit

Governor Harriman said that we were considering whether it would be useful to invite Yani to the United States, that we were

inclined to feel our ties with the top Indonesian military were still of value, but that we had reached no decision and would be glad to have any Malaysian reaction. Ghazali did not pick up this gambit and clearly did not express opposition to the move. No timing for the visit was mentioned.

Future of Indonesia

Ghazali agreed with Mr. Bundy that, although Indonesia is under heavy economic strain as a result of confrontation, there was no real prospect that economic pressure alone would be sufficient to cause a dramatic overturn in political affairs in Indonesia in the near future. Ghazali admitted that various Malaysians were asserting publicly that the end was in sight in Indonesia, but wrote this off as political talk. He did, however, feel that the current deterioration will inevitably have a cumulative effect even in a demonetized society like Indonesia, and said that unless Sukarno made major changes the country was headed for collapse. Coming back to his previous assertion that Sukarno is uninformed, he felt that it was essential in some way to make Sukarno realize that he could not win through confrontation, that he could not succeed in crushing Malaysia, and that, in effect, his current high-voiced anti-colonialism was possible only because he was protected by the Seventh Fleet. The corollary which he drew was that the United States should make these things clear to Sukarno. He was assured that we have repeatedly done so, and that Sukarno seems to be well aware of Indonesia's current dependence on American power for protection from China.

Ghazali's preferred solution to the whole problem emerged as requiring change in the nature of the Indonesian Government, authority being returned to the people of the individual islands, the central government in Djakarta being removed or downgraded as the source of power, and a federal system like that in the United States or Malaysia being installed. If such a system were developed, according to Ghazali, Malaysia would be willing to be a part of it, and this in his view would be the only way of keeping Communism out of the area. Ghazali advanced the interesting theory that had Sun Yat-sen not unified China we would not today be faced by a Communist-controlled unified China, and, when this theory seemed to produce less than complete agreement, advanced the further idea that Europe today is not Communist because it has been "Balkanized," his point being that, had large states like the Austro-Hungarian Empire persisted, one or another of them would have become Communist and "half of Europe" would be lost to the Communists.

Asked what he thought the chances were of such a breakup in the Indonesian political structure, Ghazali noted that regional feelings were strong in the country, and especially so in Sumatra and Sulawesi. He

could cite no current dissidence in Sumatra but said he was in very close touch with the situation and with many responsible Sumatran leaders and was convinced that Sumatra is "on the move." In regard to Sulawesi, he said that he was in extremely close touch with the situation and that there were now more than 23,000 rebel troops under arms. Ghazali said that Malaysia was quite capable of taking advantage of this situation, but insisted that his country is not taking action to do so as yet. He felt that when the time came the mistakes of 1958 should be avoided, that the United States and the West should stay out of the picture, and that Malaysia should be the power to stimulate action, using Indonesians with whom it is in contact.

(In a subsequent conversation with Mr. Bundy, in the car going to the White House, Ghazali further embroidered the theme of Indonesia being turned into a federated state and indeed being ultimately joined with Malaysia on a federated basis. He repeated his belief that there was strong separatist sentiment particularly in Sumatra and Sulawesi, and said that he was afraid we, the United States, did not have adequate information on this trend of thought. Mr. Bundy noted that the former Sumatra leaders had all been driven out as a result of the 1958 rebellion, and wondered where leadership might be found for any such movement. He also mentioned the Masjumi elements, and Ghazali replied that they were merely one of many groups that had this separatist feeling. Ghazali went on to imply strongly that Malaysia would be doing all it could to find and stimulate such sentiment. Mr. Bundy responded that, while Ghazali's vision of a federated state for the whole area might be an eventual possibility for good, any Malaysian effort in this direction at the present time would be playing a "dangerous game" and might have the effect—as the 1958 rebellion had had—of further uniting Indonesia. This conversation was brief, and the matter was not really followed to any kind of conclusion. However, Ghazali's theory is apparently somewhat more than a parlor speculation, at least as far as he himself is concerned.)

Indonesian Terrorism

Ghazali characterized current Indonesian terrorism in Malaya and Singapore as "very low level" but said that it was a great nuisance and that the Malaysians were giving considerable thought to retaliation in kind. One school felt that the Malaysians should knock out subversive bases in neighboring Indonesian territory, presumably the Riau Islands, but that he felt this would be rather futile and that the way to strike back was through sponsoring similar terrorist activity in Indonesia by discontented Indonesians. Here again, he emphasized that all this was still in the discussion stage and that Malaysia was not acting. He added, however, that he had told Suwito (Indonesian Deputy Foreign Minister) that Malaysia had the capacity to indulge in counter-terrorism and had

warned Suwito that Indonesia should not take the chance of turning this on.

Soviet Interest in Southeast Asia

Governor Harriman reviewed current Soviet policy in Southeast Asia, concluding that the Soviets were no longer interested in playing the major Communist role in this area, that they would probably be quite willing to see the Chinese Communists get a "bloody nose" from time to time, but that they recognized that the Chinese would be the major Communist influence in the area. He suggested that, as Malaysia is as firmly interested as we are in keeping Communist power from dominating the area, we and Malaysia should be in close and regular touch about developments in Southeast Asia, and in regular consultation on what the future holds. He said that we need not necessarily always accept each other's suggestions or views, but that we should undertake to exchange them with increasing frequency. Ghazali agreed.

266. Telegram From the Department of State to the Consulate in Singapore¹

Washington, July 21, 1965, 9:02 p.m.

27. Ref: Your 10.² FYI Former UK Foreign Secretary Gordon Walker suggested to Secretary June 29 US seek to build up Lee and arrange unofficial invitation for him to visit US.³ On July 9 UK Ambassador told Secretary Gordon Walker's comments not official position HMG. Secretary said US did not share Gordon Walker's view and would not follow up on his suggestion. End FYI.

As Embassy and ConGen reporting have been abundantly clear, Lee engaged in major political offensive against Alliance and visit to US certain to accentuate his controversy. Invitation to visit US would

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 MALAYSIA. Confidential. Drafted by Moscotti; cleared by Cuthell and in substance by Officer in Charge of U.K. Affairs Thomas M. Judd and by S; and approved by William Bundy. Repeated to Kuala Lumpur and London.

² In telegram 10 from Singapore, the Consulate reported that Lee Kuan Yew would soon approach the U.S. Government about a private or official trip to the United States. The Consulate considered that the exposure of Lee to U.S. officials and the United States would outweigh the disadvantage of the irritation his trip would cause to the Alliance leaders in Malaysia. (Ibid.)

³ In a June 29 conversation. (Ibid., POL 1 MALAYSIA)

also be regarded as US interference in Malaysian internal politics, especially if USG host, and only strengthen conviction GOM leaders that USG pro Lee.⁴ Lee's objective in any trip to US likely to be less to learn about US and its policies than to campaign intensively to win support of US leaders, press, public for himself and his views along lines recent visits to UK, Australia and NZ. Publicity and attention Lee would have to receive to achieve objectives reftel would, we fear, create more than irritation among Alliance leaders judging from reaction to Lee's trip to Australia and major significance GOM attaches any US actions affecting Malaysia. Official invitation to Lee, coming on top of present controversies over Indocom, textiles and other economic issues likely damage US-GOM relations without compensatory benefit.

You should do nothing to encourage Lee to consider visit to US at this time. If Lee decides to come, we will, of course, try influence Lee's views re US and US policies and provide appropriate program while seeking minimize USG involvement Malaysia's internal controversies.

Rusk

⁴ In telegram 69 from Kuala Lumpur, the Embassy suggested that if Lee asked to visit the United States, which the Embassy thought unlikely, he should be invited. Lee was a "powerful figure and likely to become more so." While the more chauvinist elements in Malaysia would be irritated by a visit, the Embassy thought that moderate leaders, who did not believe the United States was pro-Lee, would understand. (Ibid., POL 7 MALAYSIA)

267. Telegram From the Embassy in Malaysia to the Department of State¹

Kuala Lumpur, August 9, 1965, 0302Z.

146. Exdis for Secretary from Ambassador. Ref: Deptel 109.² Information reftel correct. Will be announced in Parliament this morning that Singapore to be completely independent. Bill to this effect to be introduced this morning. Calls for separation as of August 9.³

Lord Head British High Commissioner learned of this inadvertently last night. He saw Tunku, Razak, Ismail and Tan Siew Sin at social event. Asked for 24 hour postponement. Met with completely adamant attitude. Head said decision taken only by small number Cabinet Ministers. Most Ministers not informed.

Early this morning Head gave GOM leaders message from Harold Wilson asking 24 hour postponement. Again refused.

At 0900 Tunku met with party leaders. Announcement expected at morning session of Parliament which opens 1000. Reftel received 0830. Impossible get in touch with GOM leaders as they going to party meeting and then directly to Parliament.

Head has reported to London that he informed (although inadvertently) but not consulted on move.

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15 MALAYSIA. Secret; Flash. Passed to the White House, DOD, and CIA.

² In telegram 109 to Kuala Lumpur, August 8, also sent Flash, Rusk informed Bell that he had just been told by the British Ambassador that Singapore was withdrawing from the Federation of Malaysia and would become independent. Rusk asked for confirmation and instructed Bell to try to counsel the Malaysian Government to postpone making the announcement. (Ibid.)

³ On August 9 Singapore proclaimed itself an independent and sovereign state based on an agreement signed on August 7 between the Governments of Malaysia and Singapore. Telegram 66 to Singapore, August 19, transmitted the text of the official U.S. note recognizing the independent state of Singapore, with instructions to the Embassy to give the note to the Foreign Minister of Singapore. In telegram 130 to Kuala Lumpur, August 12, the Department told the Embassy that the Prime Minister of Malaysia informed President Johnson on August 11 that he was unable to forewarn him of the move because, "had my intentions been made known there would be trouble within the country." (Both ibid., POL 16 MALAYSIA)

In view Head's plea last night and rejection Wilson's request and fact separation will be fait accompli in about one hour I believe we should not comment at this time.⁴

Comment follows after Parliament meeting.

Bell

⁴ In an August 16 memorandum to McGeorge Bundy entitled "The Week in Asia," Thomson, Ropa, and Cooper reported that they "continue to share State's relatively sanguine view of the Singapore-Malaysia divorce. The previous arrangement had become intolerable; Lee Kuan Yew is one of the ablest leaders in Asia, no fool on the subject of Communism or Indonesia." The three NSC staffers suggested that U.S. newspaper accounts of the event "seem inordinately and prematurely alarmist." They then stated that what was needed was "a top notch ambassador" and suggested John L. Emerson or Henry Byroade, neither of whom ultimately got the job. (Johnson Library, National Security File, Name File, Cooper Memos)

268. Telegram From the Embassy in Malaysia to the Department of State¹

Kuala Lumpur, August 24, 1965, 0355Z.

232. Embtel 220.²

1. Post mortem separation Singapore from Malaysia still in progress but attention gradually being shifted problem of accommodation new situation. Clear that virtually nobody pleased with event with likely exception Communist-infiltrated socialist front and possible exception far right Malay chauvinist PMIP. However, general acceptance action fait accompli. Separation not worked out in detail and confusion still reigns.

2. Tunku's position: Now seems clear separation rammed through Parliament at insistence of Tunku who told alliance MP's in meeting preceding Parliament opening that he would not discuss matter and

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 16 SINGAPORE. Secret. Repeated to Canberra, Wellington, Djakarta, Kuching, Hong Kong, London, Singapore, and CINCPAC for POLAD.

² In telegram 220 from Kuala Lumpur, August 21, the Embassy submitted "thoughts" for use in potential discussions with the British about the separation of Singapore and Malaysia. According to the Embassy, while the separation was a "setback for US-UK interests," it was a "cause for disappointment not despair." (Ibid., POL MALAYSIA-SINGAPORE)

would resign govt if he did not receive two-thirds vote necessary to carry constitutional amendment legalizing separation. This action seriously weakened if not destroyed Tunku's image as father figure above faction and unifier of nation. At same time it demonstrated his power supreme in alliance and although by own admission he was too weak prevent likely racial clash resulting from pressure from UMNO extremists reacting violently to PAP agitation, he still in charge if not free agent. Only alliance member with courage defy Tunku was UMNO Secy Gen Ja'afar Albar who forced to resign as result. Much of senior civil service disgruntled over separation to point of openly making bitter and indiscreet remarks.

3. Concern to rebuild Tunku image as leader of all nation of great importance not only to alliance but also to at least some portions of opposition. Lim Cheong Eu, head of opposition UDP, in talks with EmbOff seemed more concerned this necessity than anything else.

4. Malay extremists in UMNO bitter over separation and younger members would probably be willing to leave party if Albar would lead revolt. Albar told EmbOff Tunku leader of Malaysia and that he had written all UMNO branches urging them support Tunku. He also said unity UMNO essential to survival of nation and he would not be man to destroy country, even though he had power to do so. Albar ambitious and probably unscrupulous. We are skeptical these assurances of devotion. At moment it appears he not prepared try to take on present leadership UMNO in open fight but will probably continue attempt improve his position through behind scenes manipulations.

5. There are more difficulties in MCA. MCA youth, already worked up over issue of Chinese as official language, reliably reported to be enraged at party leadership for agreeing to ejection by Malay leaders of one and half million Chinese from country to detriment of future bargaining power of Chinese vis-à-vis Malays. Series of meetings top MCA leadership have considered this problem. Tan Siew Sin explaining separation to youth group August 15 took line separation tragedy that could not be avoided, put blame on Lee, insisted Singapore had fully agreed to break and pleaded for support of rank and file. [less than 1 line of source text not declassified] has reported Tan has succeeded in putting down incipient rebellion in MCA.

6. PAP-alliance relations: PAP has made it clear it will continue drive for power on mainland using Malaysian Malaysia slogan as before. Devan Nair, only PAP MP with mainland constituency, taking over leadership peninsular PAP. Malaysian Solidarity Convention, basically PAP creation, at meeting Penang Aug 15-17, inter alia resolved to work for reunification Singapore Malaysia.

7. Capacity of PAP build influence on peninsula probably somewhat lessened as result break, assuming Lee Kuan Yew honors pledge

not interfere in internal affairs Malaysia to extent of refraining from public polemics. Extremely doubtful Nair free agent but even with Singapore PAP planning strategy, loss of dramatic figure of Lee Kuan Yew will probably reduce appeal of PAP to non-Malays on peninsula. Nair intelligent and articulate but not in class with Lee as public figure. Attempts by him to build power base on labor movements, as PAP did in Singapore, likely to fail in face opposition of peninsula union leaders who have no love for Nair nor NTUC. As Indian, Nair will be handicapped in appeal to Chinese who must form bulk of any successful opposition party. Partners in MSC have own fiefs and interests and will not give disinterested loyalty to PAP. Lim Cheon Eu appears to have more regard for Tunku than for Lee. Seenivasagam brothers (PPP) have own machine and have already diverged from PAP line on issues appealing to Chinese chauvinism. Despite these considerations, possible absence Lee's charisma etc., PAP likely to benefit from belief of part of MCA membership and others that separation victory for ultras who constantly strengthening position in alliance. Chinese whose support MCA lukewarm may seek new outlet and PAP Malaya likely pick up some strength this quarter.

8. Economic development: In theory loss of Singapore funds and expertise serious setback to development program Borneo. In fact effect may be minor. Singapore commitment to M150 million loan conditional on acceptance Singapore labor in Borneo. In fact no funds forthcoming past two years and no indication they would have been made available foreseeable future. Colombo Plan adviser GOM Ministry of National Development told EmbOff Singapore had given no cooperation in development and would not even inform GOM of what they doing in Singapore. Source probably biased but nevertheless true that there was little or no cooperation between two govts on development.

9. Trade relations: Despite animosity generated by GOS imposition tariffs and quotas on Malaysian manufactured goods which in first instance amounted to embargo while issuance of licenses awaited, both sides appear recognize they need each other economically. "Common market" still possibility. Economic interdependence will be strong inducement bring about necessary economic cooperation. Local businessmen feel that if politicians let them alone they can work out satisfactory trade relations, and with exception of manufacturers directly affected by quota measures businessmen more optimistic than after first shock.

269. Memorandum From Peter Jessup of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)

Washington, September 2, 1965.

[Source: National Security Council, Special Group/303 Committee Files, Subject Files, Singapore. Secret. 1 page of source text not declassified.]

270. National Intelligence Estimate¹

NIE 54/59-65

Washington, December 16, 1965.

PROSPECTS FOR MALAYSIA AND SINGAPORE

Conclusions

A. With the separation of Singapore and Malaysia, the political arrangements between them and with the UK have become much more fluid and the entire area is more unstable now than at any time in the past decade. Singapore is more exposed than before; Malaysia is less certain of the loyalty of its Borneo components; and the UK is less convinced of the value of retaining its military commitment in both Singapore and Malaysia. Internally, the communal rivalries which the Malaysian federation was designed to lessen continue unabated and offer encouragement to disruptive forces from both Communist China and Indonesia. (Para. 29)

B. Over the next two years, Singapore's withdrawal from the Malaysian federation is unlikely to alter the basic political power structure

¹ Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 54/59-65. Secret. This estimate was prepared by the Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA. All members of the U.S. Intelligence Board concurred with its submission on December 16 with the exception of the representatives of the AEC and FBI who abstained on the grounds that the subject was outside their jurisdiction. A 2-page map of Malaysia and Singapore is not reproduced. In a December 15 memorandum to Hughes, Director of Research for the Far East Allen S. Whiting wrote that this NIE was requested by the White House and that, "we are not enthusiastic about this estimate, largely because the predominance of emotional factors in the decision making process in this area makes predictions difficult and uncertain." Nevertheless, Whiting recommended that the estimate be approved. (Ibid.)

within Singapore or Malaysia. Although periodic flareups with the central government in Kuala Lumpur are likely, Sabah and Sarawak will probably remain within Malaysia but will demand gradually increasing autonomy. (Paras. 4-8, 14-19)

C. Political relations between the two countries will be clouded by strong antagonism between their leaders and by mutual suspicions between Malays and ethnic Chinese. These circumstances, as much as practical considerations of national self-interest, will determine the degree of cooperation in economic as well as political affairs. The Malaysian economy is likely to be adversely affected by the loss of Singapore revenues, and Singapore faces a problem of finding new markets. (Paras. 9-19)

D. Both Malaysia and Singapore are headed toward a nonalignment which would include increased trade with Communist countries and a more active role among the Afro-Asians. Singapore, particularly, is likely to remain critical of US foreign policy. (Paras. 25-28)

E. Recent events in Indonesia offer little prospect of early settlement of Confrontation, though military activity is likely to remain at about its current low level. The British would like to reduce their military investment, but will probably continue a substantial commitment in the area for at least the next two or three years. (Paras. 20-24)

Discussion

I. The Separation

1. On 9 August 1965, under pressure from the Malaysian Government, Singapore announced its separation from the two-year-old federation.² The union foundered primarily because of a political power struggle, rooted in racial antagonisms, between Malays in Malaya who were determined to preserve their domination of the central government, and ethnic Chinese of Singapore who sought to extend their influence into the Malayan peninsula. Their Prime Ministers—Malaysia's Tunku Abdul Rahman and Singapore's Lee Kuan Yew—could not resolve their fundamentally differing views on exactly what Malaysia should become. Singapore's People's Action Party (PAP) under Lee sought a noncommunal nation, arguing that the constitutional privileges of the Malays should be progressively curtailed. Kuala Lumpur's leadership advocated a much more gradual change, maintaining that the Malays must be protected and assisted until they were able

²Malaysia came into being on 16 September 1963 and consisted of the former Federation of Malaya, the semiautonomous state of Singapore, and two of the three former British dependencies of northern Borneo—the crown colonies of Sabah and Sarawak. The third of the northern Borneo dependencies, the protectorate of Brunei, chose not to join the new federation. [Footnote in the source text.]

to hold their own in competition with the Chinese. Bringing the subject of Malay privilege into question at all, especially in public, aroused most Malay leaders.

2. Superimposed on this chronic racial problem were personal and economic frictions which forced the issue. There exist strong personal animosities between the Tunku and Lee, and Lee's personal ambitions clashed sharply with those of a number of other central government leaders, including conservative Chinese as well as nationalist Malays. Mutual suspicions exacerbated disagreements between the two governments concerning issues of finance, trade, and industrial development.

3. The terms of the separation agreement are vague and only a few technical questions are resolved. For the most part, the agreement merely states good intentions, e.g., there is a broad promise of economic cooperation. The most important provisions are: (a) all treaties, agreements, and conventions between Malaysia and other countries that pertain to Singapore remain in effect; (b) each country agrees not to enter into treaties with foreign countries that would be detrimental to the independence and defense of the other; (c) the UK and Malaysia will continue to maintain bases and military facilities in Singapore. Thus, because a great deal of interdependence is to continue, much depends on the good will and common sense of the two governments.

II. Immediate Impact

4. The separation of Singapore did not end the contest for power between Kuala Lumpur and Singapore. At least temporarily, it reduced the ability of the principal political parties in each country to encroach upon the political arena of the other. But public acrimony between Lee and the Tunku, which was renewed in mid-September, and Lee's plan to resume limited barter trade with Indonesia in the face of very strong opposition from Malaysia have raised tensions once more.

5. Despite the unexpected shock of separation, there was no disorder in either Singapore or Malaysia. The Singapore Government acted promptly to take over responsibilities formerly handled by the federal government, and quickly demonstrated that, at least for the present, its own police could cope with local problems of law and order. In fact, communal tensions were actually eased. Singapore's Malay population, only 14 percent of the total, was somewhat deflated and a few felt deserted by Kuala Lumpur, but there was no exodus from the island. The local Chinese business community was gratified by the prospect of an end to federal taxes and of reopening profitable commercial relations with Indonesia.

6. We see no immediate political threat to the governing People's Action Party either from internal dissension or from the opposition. There may be some shifts in the cabinet and changes in the PAP's

central executive committee. It is even possible that Lee might resign or be forced out by his colleagues. Nevertheless, in our view, such changes would not seriously weaken the basic solidarity within the PAP. Singapore's present stability in part reflects leftist weakness following a steady government effort during the last two years to reduce Communist influence in the labor movement, student organizations, and the Barisan Sosialis Party (BSP). The PAP's extensive experience in handling the Communist threat in Singapore and the demonstrated effectiveness of the government's internal security apparatus are almost certainly sufficient to handle any threat to public order likely to occur in the short term.

7. Malaysian political stability also appears little affected by the break. Prime Minister Abdul Rahman's Alliance party,³ which has governed in Kuala Lumpur for nearly a decade, is not seriously challenged at present, although some of its Malay and Chinese elements criticized the separation of Singapore. Several opposition parties have joined the Malaysian Solidarity Conference, set up earlier this year as a coalition to oppose the Alliance and to work for a noncommunal Malaysia. Since the separation, they have attempted to embarrass the Kuala Lumpur government by asserting that it is suppressing opposition and stifling the voices of non-Malays. But this charge implies a degree of democracy which in fact has never existed in Malaya and is made by inherently weak political parties that have always operated near the edge of suppression. Moreover, Kuala Lumpur inherited from the British a colonial tradition of stern treatment for acts of sedition and a highly developed internal security system which serves to inhibit political opposition.

8. Political leaders in both Sabah and Sarawak were angered that the Kuala Lumpur government failed to consult with them before engineering the separation of Singapore. For a week or so, there were demands for plebiscites to determine the future status of these states, and considerable uncertainty whether one or both would opt to follow Singapore's example. However, their total inability to defend themselves and Sarawak's poor economic position forced most leaders of the two states to realize that, at least for the time being, they would be wiser to remain in Malaysia.

III. Problems and Prospects

A. Economic

9. Separation has so far caused virtually no disruption to either economy because only loose economic ties had been created in the

³ A conservative coalition of Malay, Chinese, and Indian parties. [Footnote in the source text.]

federation. Some harmonization of taxes took place but, outside the field of finance, there was very little cooperation or coordination on economic policies during the two-year life of the union. In particular, a common market—which had been a precondition of Singapore's entry into Malaysia—was not created, and no effective steps had been taken to coordinate industrial policy or economic planning. In fact, additional barriers to internal trade in manufactured goods were erected during 1964-1965 to protect local manufacturing interests.

10. *Singapore.* Entrepot trade and manufacturing are the bases of Singapore's economy, with the British military establishment fulfilling important economic functions as both employer and consumer.⁴ Increased economic growth is necessary to maintain employment and to finance the welfare measures that provide the basis of the PAP's popular support. Although Singapore has been relatively successful in stimulating the growth of domestic industry, a market larger than Singapore's population of under two million must be found. There is little prospect for expanding entrepot trade; neighboring countries are increasingly establishing direct trade links for their primary products and are developing their own industries to replace imports. Singapore could develop along the lines of Hong Kong—once primarily an entrepot, now a manufacturing center—but Singapore's pattern of labor-intensive industrialization, which has been directed at local, Malaysian, and Indonesian markets, would have to be redirected toward world markets. In some degree Singapore will compete with Hong Kong, but lacks its advantages as an established world supplier and as a financial and trading conduit for Communist China.

11. *Malaysia.* The federal government in Kuala Lumpur has lost a potentially important source of revenue. During 1964, Singapore made a net contribution to the federal government of about \$13 million, and was expected to contribute a larger amount in 1965. While there is no question of Malaysia's economic viability over the next several years, the country's ambitious economic development plans will almost certainly have to be revised downward. Already defense appropriations incurred because of Indonesia's Confrontation campaign have forced some reductions in expenditures for public development. Malaysia's major economic weakness continues to be its heavy dependence on the export of a few basic commodities. The price of rubber has been declining for several years. The prospects for continuing high prices for Malaysia's exports of tin, iron ore, and timber are good, but the

⁴ Singapore's GNP currently stands at approximately US \$450 per capita, one of the highest in Asia. Entrepot trade and related activities account for 20-30 percent of GNP, industrial production for about 14 percent, and the British military establishment for 20-25 percent. [Footnote in the source text.]

maintenance of current levels of production will require substantial new exploration and investment.

12. *Prospects.* Both countries have achieved considerable economic growth, but further growth will require increased capital investment, domestic and foreign. Economic assistance for development will almost certainly continue to be provided by international organizations (e.g., IBRD), but foreign investors will be reluctant to risk their capital until the political situation is clarified. Competition between Malaysia and Singapore for foreign investment capital will almost certainly intensify. Malaysia's need for Singapore's port facilities and Singapore's need for Malaysia's markets are factors favoring some degree of economic cooperation. However, we believe that for the next year or two, the degree of economic cooperation between Singapore and Malaysia will be determined for the most part by their political relations. The major threats to this cooperation lie in the personal antagonisms between their top leaders and the PAP's intention to continue its political activity in Malaysia. Probably the easiest and most effective way for Malaysia to retaliate against Singapore would be to apply economic sanctions.

13. The Singapore Government and local merchants will try to expand their exports to as many markets as possible. The merchants of Singapore regard Communist China and Indonesia as offering important opportunities. In fact, however, the possibilities for a significant increase of exports to China in the short run are limited and, though barter trade with Indonesia will probably be resumed, it is unlikely that it will approach pre-Confrontation levels of trade.

B. Political

14. Relations between the present governments of Singapore and Malaysia are unlikely to improve in the next two or three years. We foresee periods of high tension with acrimonious exchanges, though neither side is likely deliberately to foment disorder in the other's territory. As long as the present leaders remain, we see no abatement of personality clashes. The Tunku seems intent on trying to isolate Lee from his colleagues, while Lee is convinced that moderate forces in Kuala Lumpur are already in disarray and that Malaysia is seeking to strangle Singapore economically. He further fears that an end to Confrontation might lead to a British military withdrawal from the area. In Lee's view, this would remove the major moderating influence on the Malaysian government and raise the spectre of resurgent anti-Chinese, pan-Malay sentiment in both Malaysia and Indonesia.

15. *Singapore.* Lee and the PAP are unlikely to change their non-Communist orientation. There is no non-Communist alternative to the PAP in Singapore now and none is likely to develop in the next two or three years. The pro-Communist BSP is the only other large, well

organized, and well financed party, and would profit if Lee finds it impossible to meet the basic economic and political needs of the Singapore people. Lee's heavy reliance on the British bases poses a serious dilemma for him: it exposes him to criticism among Afro-Asian countries as a colonialist stooge, yet the bases are essential to Singapore's defense and make a vital contribution to its economy. Although an occasional demonstration against the bases cannot be ruled out, the BSP and the leftist unions will probably not choose to press the issue because of popular recognition that the bases are important to the working people of Singapore.

16. *Malaysia.* The ruling Alliance party is not seriously challenged by any political opponent; its principal problem lies in the growing divisions within its own ranks. Since separation, the Tunku has castigated some of the more extreme Malay leaders for exploiting racial issues and has curtailed their power. However, many remain in positions of influence. Over the past two years, younger Malay and Chinese elements in the Alliance have gradually increased their political power and begun to challenge the older, conservative leadership more openly.

17. This challenge is not yet such as to threaten the Tunku's position should he choose to retain power. We believe that the jockeying and maneuvering in the Alliance will continue and that, as a consequence, the Tunku is likely to resign within the next year or so, probably on grounds of ill health. If he leaves the political scene, there appears to be no one else with the necessary stature to cope with the communal issue. His heir-apparent, Deputy Prime Minister Razak, in attempting to consolidate his political and governmental power, would probably cater to pan-Malay and extremist views. In any event, during a period of political transition in Kuala Lumpur, compromise and cooperation with Singapore would be even less likely.

18. In Sarawak and Sabah, local leaders believe that Singapore's separation has strengthened their positions vis-à-vis the central government, and indeed, top Malaysian officials have felt obliged to give them renewed assurances on defense and developmental aid. Attitudes toward Kuala Lumpur will also be affected by the complex political maneuverings within Sarawak and Sabah, where the strength of parties sympathetic to the Alliance is not so overwhelming as in Malaya itself. In Sabah, an important element of the Alliance periodically comes close to the point of breaking away to form an opposition party. In Sarawak, the moderate Chinese left is strongly sympathetic to the PAP and has many close ties with Singapore. In addition, Sarawak has a strong Chinese pro-Communist dissident movement with the potential to challenge government control over large areas should the Commonwealth withdraw its troops.

19. The future of the Borneo states in Malaysia is highly uncertain. There will probably be periodic flareups of irritation at the Kuala Lumpur government over what Borneo leaders consider its highhanded manner and discrimination against non-Muslims. There is always the possibility that Sarawak or Sabah might decide to withdraw from Malaysia and seek either independence or some type of union with Singapore or neighboring Brunei. On balance, however, we believe that both states will remain within Malaysia, at least for the next year or two, but will demand greater autonomy.

C. Foreign Policy

20. *Confrontation.* The recent dramatic events in Indonesia—the attempted coup of 30 September and its aftermath—will almost certainly not result in an early settlement of Djakarta's campaign against Malaysia. The anti-Communist military leaders now vying with Sukarno for control of Indonesia are highly nationalistic and interested in expanding Indonesian hegemony. Nevertheless, they are less personally committed to Confrontation than Sukarno and, at least temporarily, much more concerned with ensuring the internal political and economic health of Indonesia than with foreign adventures. Under these conditions, it is unlikely that Indonesia will raise the level of military activity beyond present small unit actions in Borneo and occasional subversive missions in Malaya itself. Such action would enable the Indonesian military to maintain its nationalistic, anti-imperialistic posture before the Indonesian public.

21. The mere possibility of an end to Confrontation disturbs Lee and other PAP¹ officials. They are concerned that, in the long run, the Malay fear of the Chinese in Malaysia and Singapore will draw Malaysia and Indonesia closer together. They believe that the Malay leaders of Kuala Lumpur are less apprehensive of eventual domination by Indonesia than of political submersion by the Chinese.

22. *The British Presence.* The British consider that the separation of Singapore from Malaysia presented them with a variety of problems: a possible threat to the retention of their military facilities in the area; the possible political unreliability of a neutralist-leaning Singapore; and the economic and political weaknesses of Sarawak and Sabah. Separation also intensified Britain's reexamination of its entire military position in Southeast Asia, an important element in the UK Defense Review already underway. Since Confrontation started, the UK has increased its forces in the area from about 42,000 to approximately 56,000. Britain's military outlays in Malaysia and Singapore (including the Far East Fleet) are now running at an estimated \$900 million a year and constitute by far the largest portion of the UK's East-of-Suez defense budget.

23. The British must be looking hopefully toward the possibility of a negotiated settlement of Confrontation as an opportunity to reduce their overseas commitments. London also feels that Australia and New Zealand could make a greater contribution to the defense of the area. We believe, however, that for many years to come, Australia and New Zealand will be unable to bear more than a fraction of the military burden in this area and that meanwhile, Malaysia and Singapore will remain almost completely dependent on British military support. The British will probably continue their military commitment in this area for at least the next two or three years.

24. The armed forces of Malaysia are probably capable of maintaining internal security within Malaya but not in the Borneo states, and lack the strength necessary to counter significant external aggression. As long as the Commonwealth military presence remains, Malaysia is unlikely significantly to increase its forces much beyond the moderate expansion of the air force and navy already scheduled. It may, however, activate a fourth army brigade to replace the Singapore brigade presently attached to the Malaysian Army in Sarawak. The Singapore Government will probably bring this latter brigade home and make additional modest increases in its ground forces. Singapore may also develop a small naval force for policing its territorial waters.

25. *The Communist Powers.* So far, neither Communist China nor the USSR has made any political capital out of Singapore's separation from Malaysia. Neither country had established diplomatic relations with Malaysia; neither has yet recognized Singapore. Both will regard their relations with Indonesia as more important than their relations with either Malaysia or Singapore. Communist China probably does not as yet see much opportunity for a new approach to Malaysia and, accordingly, is likely to give more attention to Singapore. Peking might offer economic assistance and diplomatic recognition to Singapore, hoping to persuade Lee to adopt a more friendly attitude and to work toward the elimination of British bases. Publicly the Soviet Union interpreted Singapore's secession as a death-blow to Malaysia and a triumph for Indonesia against British imperialism. Moscow may have doubts concerning Singapore's viability as an independent state, but will probably seek to establish friendly relations with it in order to counteract Chinese influence in Southeast Asia.

26. For their part, Malaysia and Singapore have taken the initiative of indicating to the Soviet Union and Yugoslavia that they would welcome trade missions and news agency representatives in their respective countries. Diplomatic relations are likely to be established in due course. Malaysia is determined to have no relations with Communist China at present; it has consular relations with the Republic of China and appears to be moving gradually towards a closer relation-

ship. The present Singapore Government greatly fears the possibility of Chinese Communist influence on its large Chinese population, but is aware of the desires of its Chinese business community to expand exports to the Chinese mainland whenever possible. It will, therefore, move cautiously in the direction of some formal relationship with Communist China. It will welcome a Soviet presence, hoping that this would offset Communist China's influence and split the loyalties of local Communists and leftwing groups.

27. *Implications for the US.* Both Malaysia and Singapore have become increasingly sensitive in their relations with the US and publicly more critical of US foreign policy: Malaysia has criticized the US for its assistance to Indonesia; Singapore resents what it regards as a demonstrated US preference for Malaysia. Both feel that, because they are non-Communist states, they deserve greater US assistance than they have received. In general, both countries are headed in the same direction with regard to their foreign policies: toward closer relations with nonaligned and Communist countries. However, Malaysia will almost certainly continue to give diplomatic support to US military initiatives in Southeast Asia, if only to ensure US military assistance for itself in a time of real need.

28. Singapore's recent relations with the US have been affected to a very high degree by Lee's personal and highly emotional antipathy to the US. Lee appears convinced that the US distrusts all Chinese and is hostile to nonaligned countries. He apparently believes that, in any showdown between Singapore and Kuala Lumpur, the US (unlike the UK) would side with the latter. Lee is determined that the British maintain their military presence in Singapore and is particularly concerned lest they be replaced by the US. In his view, this would provoke Communist China's antagonism and make Singapore a pawn in the power struggle in the Far East. Because of Lee's emotionalism and the desire of Singapore's leaders to be accepted among nonaligned nations, we foresee a period of strained Singapore-US relations and expect periodic public outbursts of anti-Americanism from Lee.

29. As a consequence of the increased fluidity of the political arrangements between Singapore, Malaysia, and the UK, the entire area is more unstable now than at any time in the past decade. Singapore is more exposed than before to the influence of Peking; Malaysia is less certain of the loyalty of its Borneo components; and the UK is less convinced of the value of retaining its military commitment in both Singapore and Malaysia. Internally, the communal rivalries which the Malaysian federation was designed to lessen continue unabated and offer encouragement to disruptive forces from both Communist China and Indonesia. Emotional factors, rather than considerations of national self-interest, are likely to play a crucial role in the decisions of leaders

of both Malaysia and Singapore. In these circumstances, the Singapore-Malaysia area is likely to pose greater problems for the US than ever before.

271. Telegram From the Department of State to the Embassy in Malaysia¹

Washington, January 29, 1966, 5:53 p.m.

599. For Ambassador from Bundy.

1. Without any reflection on Donald² who has done fine job under difficult circumstances, I am concerned about our lack of direct communication with Harry Lee. Given Lee's attitude toward United States, this breakdown in contact seems to me to be feeding on itself, accentuating Lee's isolation and producing inevitably further strains in our relations. I would like to break into this harmful cycle if we can.

2. Reestablishing contact is made difficult by Lee's belief that US strategic interest in Singapore places him in dominant position and that we can be brought to heel by hardnosed bargaining and threats of Barisan take-over. Our note suggesting raising of Consulate General to Embassy has gone unanswered since mid November.³ Lee grossly overestimates strength of his bargaining position, and we are prepared to continue with Consulate General status indefinitely rather than accede to Rajaratnam's price of trade concessions for elevation to Embassy status. In seeking reestablished contact therefore, we clearly would wish to avoid encouraging Lee's current misconceptions on way to deal with United States. At same time there seems little chance we can place our relationship on more realistic basis until we can deal with him directly.

3. I would be most grateful for your suggestions, as senior US official closest to situation with personal experience in dealing with Lee, on tactics to handle this problem. Lee's public statements show a realistic appreciation that Singapore's viability and his personal politi-

¹Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL SINGAPORE-US. Confidential; Limdis; No Distribution Outside Dept. Drafted by Underhill, cleared by Cuthell and Berger, and approved by Bundy.

²Richard H. Donald, Acting Consul General in Singapore.

³The note was transmitted in telegram 419 to Singapore, November 17. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL SINGAPORE-US)

cal future (separate factors which he naturally considers as identical) depend on trade and economic development which in turn depends in considerable measure on beneficial economic relations with United States. Here obviously is logical basis for a continuing relationship. Lee's overtures through Australians (Waller-Berger memcon dated December 30, 1965)⁴ are further concrete evidence Lee wishes to deal with us.

4. Perhaps best tactic would be to try to get from Lee a resolution of uncertainty surrounding our representation in Singapore. We would prefer raise Consulate General to Embassy, but if Lee wants to continue with Consulate General this would affect our choice of successor for Lacy. In any case we wish to assign senior rep USG with whom Lee could deal. Do you think it would be possible and desirable for you to have informal unpublicized meeting with Lee to convey this message? Would it be more effective to have it passed through UK, Australian and New Zealand channels? We would prefer to deal with him directly rather than through Commonwealth intermediary. Would appreciate your views.⁵

Rusk

⁴ Not found.

⁵ Not further identified.

272. Information Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Dean Rusk¹

Washington, March 14, 1966.

SUBJECT

From Lee Kuan Yew to Chiang Kai-shek: Far East—March 1966

Around our Chiefs of Mission Conference, I paid visits to Japan (briefly), Viet-Nam, Thailand, Singapore, Malaysia, the Philippines, and the Republic of China. This memorandum gives the highlights of my

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, ORG 3-2. Secret; Exdis. Drafted by Bundy. A note on the memorandum indicates that Rusk saw it.

observations, drawing briefly on some of the broader policy points already covered in the "highlights" summary of our Baguio meeting, but primarily on my own observations.

1. *General Observations.*

a. The atmosphere in the whole area is markedly healthier than last year. This derives primarily from Viet-Nam, with Indonesia a close second in importance. There is an almost universal belief that the US is standing firm for now, and this has been a great strengthener and comfort even to such figures as Lee Kuan Yew. Nonetheless, our Ambassadors stressed that there was still a recurrent fear that we might make some deal and, more basically, that we may not really stay the course. For the time being, this fear is at rest, and the bombing suspension and the Honolulu conference were in the main correctly interpreted. Nonetheless, it persists as a major factor to take into account on any actions we may consider that carry the implication of compromise or retreat. In Japan, where the problem is somewhat different and where Reischauer sees marked favorable trends both on Viet-Nam and on the issue of greater economic responsibility, the bombing suspension and the Honolulu conference had a strongly favorable effect.

b. Regional efforts in the area have gained immensely during the past year and need to be pushed further wherever possible. The Asian Development Bank and plans for Southeast Asia have had great impact, and the reopened possibility of ASA (initially Thailand, Malaysia, and the Philippines), plus such efforts as the Korean Foreign Ministers Conference, are all moving in the right direction of, a phrase of Marshall Green's, "putting a rim on the wheel" whose spokes ran only to Washington in the past.

c. The heightened tension over Viet-Nam, plus the specific contributions of individual countries, have imposed strains that must be met usually by US contributions. We need added effort, for different reasons, in several countries, and we simply must not let Viet-Nam beggar its neighbors.

d. Our overwhelming focus on Viet-Nam has diverted our own policy emphasis slightly from many specific problems now assuming major proportions:

—Bringing Japan to a greater role of responsibility, in what Reischauer describes as a race between such a role and the emergence of a new selfish nationalism;

—Meeting the serious strains in Korea, arising from their force contributions and continuing fears and internal problems;

—Tension and a tendency to jitters in the Republic of China, especially with the dark cloud of Chinese representation;

—Our relationship to the Philippines in a new situation of movement there;

—The needs of Thailand, especially as it becomes a major base area for us;

—Whether we should assume a significantly increased role in the Malaysian economic picture and whether we may become involved to some degree, willy-nilly, in the Malaysia/Singapore problem.

[Here follow sections 2 on Vietnam and 3 on Thailand.]

4. Singapore.

a. *Lee*. My talk certainly found him more mellow, and may have opened the way to a more serious and deep relationship than we have ever had. He committed himself to accept an Ambassador, but was evasive on timing. He wants a sophisticated and low-key man, and I think our choice meets this specification.

b. *Trade*. The need for more outlets is real. I tried to hammer home how little we could do in textiles, and to urge a diversified survey both by the USG and private consultants. The latter idea seemed to find some response, and we should be prepared to follow up. They are terribly naive on how to deal with the US market.

c. *Relations with Malaysia*. This remains obsessive, and is more than ever the focus of Lee's thoughts since his initial pushes to get the British to stay and to establish an Afro-Asian "position" have now been largely satisfied. The Tunku and Razak are anathema to Lee (and vice versa), so that I still find it hard to visualize a reconciliation for some time. Nonetheless, the economics alone clearly indicate that the two can neither live with each other nor without.

5. Malaysia.

a. *British Role*. British influence has markedly declined, and I do not think this was Anthony Head's personality. Rather, it reflects a very deep-seated Malaysian feeling that they want a diversity of friends. We should avoid like the plague getting into any larger defense role, and I did not encounter any urging in Malaysia that we should, although Lee has the obsessive fear that the Malaysians now believe we will do this. But while the Malaysians may accept Commonwealth responsibility for their defense, they badly want other evident friends.

b. *Economic Needs*. We must abandon the stereotype of a rich and self-sufficient Malaysia. The Malaysian accounts have changed drastically in the last five years as a result of tin and rubber price changes. Hence, their coming five-year plan calls for more than \$300 million of outside credit over this period. This will go in detail to the World Bank Consortium meeting in May, and we already have detailed materials for study. Although I warned them categorically that we would not be ready to announce decisions in May, it is absolutely clear that we face a major decision that will become acute in May. They want us badly, and if their plan makes as much sense as it appeared to me to make,

I would favor a significant contribution. The question of Indonesian reaction has drastically changed from the past, and our participation would give a tremendous boost to the younger and more modern leaders who are evolving a new Malaysia. Needless to say, US stockpile policies that might depress the price of rubber could both cause a present outcry and drastically increased appeals for offsetting US assistance.

c. *Relations with Indonesia.* I found no easy optimism in Malaysia (or anywhere else) that Nasution and Suharto would for a long time call off confrontation or do more than ease the military pressure.

d. *Relations with Singapore.* This is as obsessive a subject as on the Singapore side, but with a clear and growing Malaysian sense that they hold bigger cards in any trade. (I sensed Lee knew this too.) In the difficult personal equations involved, I get the feeling that two Malaysians, Ismail (the number three) and Ghazali in the Foreign Office could do it. Unfortunately, neither has the political power to be given the chance. The Tunku and Razak do not trust Lee and talk a very different Malay language of personal trust and broad issues, as compared with Lee's personal, and perhaps Chinese, more aggressive and precise viewpoint. I see little we or anyone else can do about this, but if our role increases we could at least try to cushion the more outrageous misunderstandings and to bring some appreciation of the overriding common interest.

6. Philippines.

a. *Marcos.* Much more hopeful and potentially decisive than his predecessor, but still only finding his feet. His political debts surround him, and he is far from having an administration "team". His diffident handling of the recognition of Malaysia reflects these factors, as does his failure to take hold of the economic problem as yet.

b. *Forces for Viet-Nam.* Marcos should get a decisive Senate majority, but at substantial political cost. His Senate problem is enormous. This, plus the over-all uncertain political situation, is the underlying reason for his request for additional MAP. To my mind, \$4-6 million a year to make his army a real engineer and civic action outfit, with significant political bonuses, is a highly worthwhile investment in every respect.

c. *Economic Issues.* The investment climate is not good, and on the Philippine side there is growing uncertainty as to American agricultural markets. Both problems go together, and we should be working in the next few months to lay out the broad lines on which the Laurel-Langley Agreement will eventually be revised. I doubt if we need to think of any significant additional economic aid. Trade and investment are the keys, and the time has come to start moving.

[Here follows section 7 on the Republic of China.]

273. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, October 4, 1966, 8 p.m.

SUBJECT

Talk With Malaysian Deputy Prime Minister Razak

Your talk with Malaysian Deputy Prime Minister Tun Abdul Razak is scheduled for 12:30 p.m. tomorrow, Wednesday, October 5. He is the head of Malaysia's delegation to the UN. He is also the heir apparent to Prime Minister Tunku Abdul Rahman.

You may wish:

1. To express appreciation for Malaysia's understanding and support of our position in Viet Nam. (*Note:* Because of their preoccupation with Indonesia, the Malaysians have made only a small contribution themselves—mainly medicine, flood relief, some training for Americans and Vietnamese in jungle fighting);

2. Indicate our belief that an Asian initiative on Viet Nam is basically sound and that Malaysia's support for Thanat's peace proposal has added to its acceptability.

You are aware that Razak was quoted as saying that Malaysia would send troops to Viet Nam if asked. He claims he was misquoted and said only that he supported the general proposition of foreign assistance.

Razak may raise the following:

1. Military Assistance

He will come to the White House directly from a talk with Secretary McNamara.²

The British are cutting back in their support, and recently turned down a Malaysian request for \$110 million of military aid. In 1965 we gave them a \$4 million credit on easy terms for military purchases.

¹ Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965-1968. Secret. Johnson met with Razak from 12:58 to 1:05 p.m. on October 5. The President's Daily Diary is ambiguous, but apparently the President and the Deputy Prime Minister met alone and were then joined by William Bundy, Ambassador Tun Sri Ong Yok Lin of Malaysia, and Henry Heymann, Officer in Charge of Malaysian Affairs, at the end of the meeting. (*Ibid.*) No other record of the meeting has been found. The Department of State briefing paper and talking points for the President are in a memorandum from Read to Rostow, October 4. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 MALAYSIA)

² McNamara met Razak from 11:30 a.m. to 12:10 p.m. on October 5 at the Pentagon. They discussed Asian regional organization, Vietnam, possible helicopter sales to Malaysia, Indonesia, the cultural revolution in China, the future British and Australian role in Malaysia and Singapore, and the future of Southeast Asia. (Washington National Records Center, RG 330, OSD Files: FRC 70 A 4443, Malaysia, 1966 (Malaysia 091.112))

Encouraged by that, they may now look to us to fill the hole left by the British.

You might state:

You realize that he has talked with Secretary McNamara and suggest that he follow up on this with Defense and State. Note our heavy commitments, especially Viet Nam. You could point to the intent of Congress to limit MAP recipients to 40; new additions would be difficult. We hope the British will continue as a military supplier and will encourage them in this.

2. Economic development.

Malaysia launched this year a soundly conceived 5-year development plan. To meet goals, Malaysia will need \$630 million in foreign grants and loans. He may ask if we can do more to help.

You might state:

The U.S. joined with 12 other nations last May to discuss aid to Malaysia. We have offered help through the Ex-Im Bank. Future regional development programs will benefit Malaysia. We have continuing programs under Food for Peace and the Peace Corps. If Malaysia takes full advantage of our offers, total aid over the next 5 years could reach \$100 million. We will follow Malaysian economic developments with interest and will be alert for any useful contribution we can make.

3. Rubber.

World price has been declining steadily. Last month it was the lowest in 12 years. Malaysia is deeply concerned; government revenues come mainly from taxes on tin and rubber. They believe sale of our stockpiled rubber is pushing the price down.

You might state:

We are aware of the problem and are concerned for Malaysia's difficulties. The Department of State and others have the matter under urgent study, and we shall be in touch with the Malaysian government. There are serious budgetary reasons for our disposal policy.

The Deputy Prime Minister will be accompanied by Malaysian Ambassador Ong. Bill Bundy and I will be standing by. I suggest you see Deputy Prime Minister Razak alone at first, then call the rest of us in as you see fit. The Ambassador would consider it an honor to be able to meet with you.

A brief biographic sketch is attached.³

William Jorden⁴

³ Undated; not attached but a copy is in the Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 14, Oct. 1-31, 1966.

⁴ Jorden signed for Rostow above Rostow's typed signature.

274. Memorandum From Secretary of State Rusk to President Johnson¹

Washington, October 15, 1966.

SUBJECT

Your Visit to Malaysia

Although Malaysia does not contribute to the collective defense of South Viet-Nam, and will not have been represented at the Manila Conference, you are visiting Kuala Lumpur following the Manila Conference because we wish to lend friendly support to this democratic country, which is recovering well from a severe dose of Communist guerrilla warfare.

Malaysia has become something of an economic and political showpiece in Southeast Asia, despite the drag of its troubles with Indonesia. Its leadership is responsible and Western-oriented. With the end of Indonesia's policy of confrontation, Malaysia's outlook is improved. However, it still confronts serious problems in fulfilling its five-year plan. Some arise because of uncertainty over the future of the British military commitments in Singapore and Malaysia upon which Malaysia's security, and the viability of its economic development plans, depend.

During Deputy Prime Minister Razak's conversations with you, Secretary McNamara and with me,² he laid out the three areas in which the Government of Malaysia now looks to the United States for sympathy and support: (1) military assistance; (2) support for Malaysia's five-year development plan; and (3) restraint in United States Government rubber and tin stockpile disposal programs.

We do not recommend a military assistance program for Malaysia, at this stage. The costs of Viet-Nam are obvious. Our MAP resources are limited. We do not wish to precipitate a British withdrawal from responsibilities we wish them to carry in Southeast Asia.³

¹ Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 14, Oct. 1-31, 1966. No classification marking.

² See Document 273.

³ In an October 14 memorandum to the President, entitled "Matters of Substance for Your Country Visits," Rusk stated that the United States had to be very cautious on military assistance. "We can guarantee limited military sales of such items as helicopters, but any program of concessional sales, much less any grant aid, is out of the question with the cuts in over-all MAP program, the 40-country limitation, and policy objections to our becoming a major assisting power for Malaysia. It should be left to the British." (Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 14, Oct. 1-31, 1966)

Last May, we participated in an IBRD Consultative Group set up to examine Malaysia's needs in meeting the goals of its five-year development plan. In that context we outlined amounts and forms of assistance we were able to offer within the limitations of Food for Peace, A.I.D., and Export-Import Bank availabilities, in the amount of about \$100 million for the next five years. The Government of Malaysia appreciated this expression of United States intention but was disappointed that we did not offer bilateral A.I.D. loans or grants.⁴ Since last May, developments—fund cuts and number of country limitations—do not help make possible enlargement of our aid to Malaysia even if the United Kingdom decides to reduce its level of support, military and economic.

Deputy Prime Minister Razak outlined to you Malaysia's acute anxieties over the decline in rubber prices. He mentioned that United States Government disposals from stockpiles were regarded in Southeast Asia as contributing to a price decline. For a combination of reasons, rubber prices have dropped from 26 cents to 22 cents in the period between March and October, 1966. This price drop represents a loss of some \$170 million a year of foreign exchange to Malaysia, Thailand and Indonesia. (Malaysia accounts for 40 per cent of world production; Indonesia and Thailand together, 40 per cent.) It was appreciated in Kuala Lumpur that the GSA suspended rubber sales from stockpile following Deputy Prime Minister Razak's conversation with you. The rubber producing countries of Southeast Asia will be extremely sensitive to our disposal policy when sales from stockpile are resumed.

In view of our unwillingness to provide military or economic assistance to Malaysia, Bill Gaud and I believe strongly that, prior to your arrival in Kuala Lumpur, the Administration should declare its intention in 1967 to dispose of stockpile rubber at the 1965 level of 120,000 tons, rather than the March-October annual level of 170,000 tons, as our contribution to the stabilization of rubber prices at levels which can yield substantial foreign exchange earnings for three critically important Southeast Asian countries—Malaysia, Indonesia and Thailand.

We believe that the political and economic benefits of this decision to the United States would outweigh the proceeds of selling an additional 50,000 tons of rubber, i.e., \$25 million.

⁴ In his October 14 memorandum, Rusk noted that while the U.S. position at the May meeting of the Consultative Group was "sympathetic," the Malaysians "have found difficulty so far in making much use of any of these offers. Proper commodities for PL-480 are hard to find, few EX-IM projects have opened up, and truly 'regional' AID projects are small in scale."

We believe that if this decision were made and made known before your arrival in Kuala Lumpur, the impact would be strongly felt in Malaysia, Indonesia, Thailand, and noticed throughout the entire Far East as a reflection of your concern for the welfare of Asians engaged in production of primary products vulnerable to fluctuations in demand on the part of affluent societies. Rubber generates 17.7 per cent of Malaysia's GNP and 38.6 per cent of its foreign exchange earnings. One quarter of the total Malaysian labor force works on rubber plantations. Rubber trees represent an investment of almost \$1 billion, or four times investment in industry.

Recommendation:

We recommend that, prior to the Manila Conference, the United States Government should announce that for 1967 disposals from the United States Government rubber stockpile will be at an annual rate of 120,000 tons.⁵

Dean Rusk

⁵ In his October 14 memorandum to the President, Rusk stated that detailed proposals on the stockpile had been submitted to Califano and some actions might be taken before the President reached Malaysia. If not, Rusk wanted to review the issue before arriving in Kuala Lumpur. Rusk suggested that in view of the difficulties with these major issues, he was looking for smaller actions, such as regional education, transportation, and a possible COMSAT ground station, to "Improve the atmosphere."

There is no indication on the memorandum that Johnson approved the recommendation, but the United States announced a reduction in its sales of stockpiled rubber before the Manila Conference, and by September 1967 U.S. sales had been cut back from 170,000 tons to 70,000 tons per year; see Documents 276 and 280.

275. Editorial Note

President and Mrs. Johnson arrived in Kuala Lumpur at 10:11 a.m. on October 30, 1966, on Air Force One. During the 2-hour flight from Bangkok, Thailand, the President met with Secretary Rusk, Clark Clifford, Walt Rostow, and Bill Moyers. No record of this meeting has been found. Most of the President's and his delegation's time in Malaysia was spent in ceremonial activities. According to the Daily Diary, the President did not have any private meetings with Malaysian Government leaders although during the State Dinner on the evening of October 30 at Parliament House, he and Prime Minister Tunku Abdul Rahman "talked a good bit." The President and his delegation left Malaysia at 7:40 a.m. the morning of October 31. (Johnson Library, President's Daily Diary)

276. Telegram From the Embassy in Malaysia to the Department of State¹

Kuala Lumpur, November 17, 1966, 0930Z.

2132. Ref: Kuala Lumpur 2091.²

1. As stated last sentence reftel, President's visit aroused Malaysian expectations of increased economic and military assistance from U.S. These expectations are inevitable concomitant of widespread Malaysian belief that visit signaled new era of more direct, benevolent U.S. interest in Malaysia.

2. Announcement of cutback in rate of stockpile rubber disposals in 1967 closely preceded President's visit, which Malaysians knew was to be closely followed by Eugene Black mission.³ Enhanced by these presumed indications of heightened U.S. concern for Malaysia's welfare, President's visit created aura of goodwill unprecedented in nearly ten years of U.S.-Malaysian relations.

3. Relations between U.S. and Malaysia have always been friendly—but not intimate. Historically U.S. has regarded external guidance and assistance to Malaysia as primarily responsibility of Commonwealth. Consequently Malaysians felt proud, honored (and somewhat surprised) that President of U.S., country which had not previously paid special attention to Malaysia, included Kuala Lumpur on Far Eastern itinerary which otherwise embraced only U.S. allies. Conclusion reached by most Malaysians (and non-Malaysian diplomatic and journalistic observers also, I believe) was that U.S. now taking Malaysia into its circle of close friends in SEA.

4. Therefore it is not surprising that Malaysia's immediate attention should be directed to prospective tangible benefits to be derived from "new" relationship with U.S. High Malaysian expectations clearly evident from (a) Prime Minister's request to President that he moderate terms of credit for purchase of helicopters and (b) insistent requests from GOM officials for bilateral U.S. aid in private discussions with Black mission. (Newspaper articles and editorials welcomed Mr. Black as gift bearer following in President's train.)

5. Malaysians also tend now see U.S. assuming more forthright responsibility for ultimate security Malaysia, especially so since Presi-

¹ Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL MALAYSIA-US. Secret; Limdis.

² Dated November 15. (Ibid., POL 7 US/JOHNSON)

³ The report of President Johnson's Special Adviser on Southeast Asian Development, Eugene Black, dated December 9, on his trip to Southeast Asia including Malaysia is in the Johnson Library, National Security File, Country File, Vietnam, SEA Development Program, Vol. II, 1966.

dent's visit came at time when UK constrained reduce commitments this region. King's speech welcoming President called U.S. protector of small nations. Malay language *Berita Harian* editorial October 31, commenting on President's visit, said "no small nation can continue to exist without protection of big power." Malaysian conviction along these lines strengthened by (a) thematic emphasis in President's mission to SEA on common interest of U.S. and free nations of region in resisting Communist aggression and building strong, healthy societies, and (b) President's statement in Kuala Lumpur that U.S. prepared assure small nations against ChiCom nuclear blackmail.

6. As foregoing paragraphs reveal, in wake of President's visit U.S. finds itself in more direct relationship with Malaysia. I believe this is desirable development and that we should welcome more candid, cooperative basis on which our relations with Malaysia will rest henceforth. Malaysia has vital contribution to make to SEA development and cooperation, in which U.S. has vital interest and to support of which U.S. committed.

7. Initial tendency of Malaysians to view closer relationship with U.S. largely in terms of supposed opportunity get more U.S. aid presents us with problem in educative diplomacy, but I am hopeful that unrealistic expectations can be brought within reasonable bounds without undue irritation. I believe Mr. Black's visit was very helpful in this regard. He made clear presentation of limited aid possibilities and set tone for continuing frank dialogue with Malaysians. I believe DepPriMin Razak and other top leaders understand (a) that Malaysia can benefit from indirect U.S. aid through SEA regional programs and must look primarily to that aid channel, and (b) that extensive concessional bilateral assistance from U.S. not in cards unless Malaysian financial situation worsens appreciably. (As noted Kuala Lumpur's 2046,⁴ however, GOM clearly does expect concession on terms for helicopter purchase, and I have recommended we give consideration to moderating those terms.)

Bell

⁴ Dated November 11. (National Archives and Records Administration, RG 59, Central Files 1964-66, DEF 12-5 MALAYSIA)

277. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, December 10, 1966.

SUBJECT

Helicopters for Malaysia

As you know, the Malaysians are interested in buying helicopters, and they want to buy them from us. This was the one item of serious business raised with you by the Tunku during your visit to Kuala Lumpur. You promised to look into the matter on your return to Washington.²

The deal would involve 15 helicopters. The Malaysians need them for their civic action and counter-guerrilla activities. The amount of the contract would be about \$17.2 million, which would help in our balance of payments problem. The only competitors are an American company (Sikorsky) and a French company.

The attached memo from State (Katzenbach),³ in which Defense concurs, recommends that we offer the Malaysians terms of 5½% interest and 7 years repayment. It suggests that we inform the Malaysians in a letter to Deputy Prime Minister Razak from Bill Bundy, and that you not communicate directly with the Tunku on this matter.

I find the memorandum from State inadequate on several grounds.

First, it does not offer you the options that in fact exist for handling this matter.

Second, it is misleading in implying (paragraph c, page 2) that it would require \$11 million to cover the difference between an offer of 5½% and 3% on interest rates.

Third, it does not offer a judgement as to how the Malaysians may react except to say "we may have some protest and bad feeling."

Fourth, it does not offer a judgement on the likelihood of the Malaysians turning to the French for this contract if we offer the suggested terms.

I have asked Bill Jorden to staff this out further. He has done so, with State, Defense and the Bureau of the Budget.

¹ Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965-1968. Secret. A note on the memorandum indicates that the President saw it.

² According to telegram 1895 from Kuala Lumpur, November 2, the Tunku raised the issue of helicopters with President Johnson privately during Johnson's visit to Malaysia. (National Archives and Records Administration, RG 59, Central Files 1964-66, DEF 12-5 MALAYSIA)

³ Not printed; dated December 6.

The picture is as follows:

On options:

Guarantee of EXIM loan plus needed MAP credit would cost out as follows (all figures approximate):

(With a 15% down payment)

5½% for 7 years—\$3.8 million
4% for 7 years—\$6.7 million
3% for 10 years—\$10.4 million

(With a 10% down payment)

5½% for 7 years—\$3.9 million
4% for 7 years—\$6.9 million
3% for 10 years—\$11 million

Funding for your preferred option can come from:

- (1) Adjustments in the credit sales program (assuming not all of the programmed sales materialize);
- (2) selling at harder terms to some countries for which concessional terms are now planned;
- (3) the contingency reserve (which at last report was about \$18 million).

On Malaysian reaction:

There is no doubt in Ambassador Bell's reporting that the offer proposed by State and Defense will come as a severe disappointment to the Tunku and to his government. It may be "without any warrant from us"—as State says—that the Malaysians have built up their hopes for something better than 5½%. But the fact is that those hopes exist.

Two years ago, we offered these same terms on Cessna aircraft. We lost out to the Canadians—and there were demonstrations in the street denouncing the U.S. as "uncle skinflint."

The Malaysians have come along well in backing our policy on Viet-Nam. They seem ready to do somewhat better in the future. I would not like to see that trend reversed without good cause.

Nor would I like to see the very positive effects of your visit to KL dissipated needlessly.

On probable outcome:

The Malaysians prefer our helicopters. But the French apparently have offered 3% for 10 years. Sikorsky representative thinks the Malaysians will go to the French if we offer 5½% for 7 years. Ambassador Bell agrees.

On the problem of precedent:

State and Defense are concerned that a better offer than that proposed will encourage other military purchasers to expect concessional terms. They are also worried that the Malaysians would expect us to

supplant the British military role which, as the memo states, "is the last thing we wish to do."

I am sympathetic with both these concerns. However, we have made concessional sales in the past, in a variety of countries, without those concessions automatically becoming the basis for future deals. We have, in fact, made military sales to the Malaysians themselves (in 1965) at 3% for 10 years. I see no reason why our position cannot be explained to the Tunku and to others (if the question arises). This is one of the functions of diplomats—to make complicated and sensitive matters clear to others. I would explain it as a very extraordinary case holding no promises for the future, and as your response to a quite special appeal from the Tunku.

Recommendation:

I recommend that you consider favorably an offer of 4% for 7 years, with a 10% down payment. Our best estimate is that we can get the deal on these terms, although they are not as good as the French. But, in any case, you would have clearly responded to the Tunku's appeal. You may want to tell State and Defense that this is your inclination but that you will consider any strong and overriding objections. Unless there are such major objections, you propose to move ahead on this line.

Walt

Approve 5½% for 7 years

Approve 4% for 7 years

Approve 4% for 7 years but check whether State and Defense have major objections⁴

Approve 3% for 10 years

See me

P.S. I haven't listed the options on a 15% down payment here; they are in the body of the memorandum, if you want them.

W

⁴The President checked this option.

278. Memorandum From the President's Special Assistant
(Rostow) to Acting Secretary of State Katzenbach¹

Washington, December 12, 1966.

SUBJECT

Helicopters for Malaysia

The President has considered carefully your memorandum of December 6 (copy attached)² on the above subject. He has weighed and is sympathetic to the arguments therein regarding an offer of support for the purchase at 5½ per cent interest and 7 years repayment.

However, he recalls that this matter was the one item of serious business raised with him by the Tunku on his recent visit to Malaysia. He attaches importance to the friendship of the Tunku and to the good relations that have developed between our two countries.

Given the importance of Malaysia's role in Southeast Asia, its internal situation, and its sympathetic understanding of our policy in Viet-Nam, the President believes that a somewhat more concessional offer is in order on a "one shot" basis. The sale will, of course, benefit our balance of payments. He has approved our support for an offer of 4 per cent for 7 years.

He believes that it is possible to make such an offer and at the same time make clear to the Malaysians that it is not a precedent, that it is made at considerable sacrifice on our part, and that it will not provide the basis for any future sales. The Malaysians should be reminded of our severe and burdensome obligations elsewhere in Asia.

As to financing, possibilities within the present MAP program should be explored first. Defense might want to consider hardening somewhat the concessional terms for other sales. Drawing on the contingency reserve for credit sales is another possibility.

The special circumstances of the President's trip to Malaysia and the Tunku's personal appeal could be considered as putting this matter in the "contingency" category.

If there are major considerations not heretofore brought to the President's attention, he has expressed his willingness to take them under advisement. In the absence of such overriding considerations,

¹ Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965-1968. Secret. A copy was sent to McNamara.

² See footnote 3, Document 277.

he has approved moving ahead along the lines noted in the third paragraph of this memorandum.³

W W Rostow

³ On December 27 Rostow cabled the President the following: "Your offer to Malaysians worked. We got the order for Sikorsky plus some goodwill." (Telegram CAP 661338 to the President, December 27; Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965-1968)

279. Intelligence Note From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk¹

No. 652

Washington, August 9, 1967.

SUBJECT

Prospects for Lee Kuan Yew's Visit to the US²

In mid-October Lee Kuan Yew will make his first visit to the United States as Prime Minister of independent Singapore.³ His primary purpose will be to make personal contact with the leaders of a great power he now regards as vital to Singapore's future economic stability and security. While he is anxious to maintain Singapore's non-aligned foreign policy and can portray this visit as balanced by his own 1966 trip to Eastern Europe and that of his deputy to Moscow in 1965, he will nevertheless hope that his visit will eventually pay off in concrete benefits for Singapore.

Lee's Attitude Towards the US; Aloof but Friendly. In the first days of Singapore's independence, Lee Kuan Yew, who had a reputation for

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 SINGAPORE. Confidential.

² The Department of State indicated in telegram 763 to Kuala Lumpur, March 24, repeated to the Consulate in Singapore, that a Lee visit to the United States "is clearly in our interest and our future relations would benefit from a maximum exposure to the intellectual, social, and cultural aspects of American life about which Lee is clearly inadequately informed." (Ibid.)

³ His only previous visit was in July 1962 when he made a brief stop in San Francisco and attended a UN meeting in New York. [Footnote in the source text.]

being pro-British but unfamiliar and somewhat contemptuous of Americans, was acidly critical of the United States to the press, revealing in the process a 1961 CIA effort to penetrate the Singapore police. This public, bitter anti-American phase (to which family problems then probably contributed) was shortlived. Before the end of 1965, Lee and his principal cabinet advisers were convinced that, for economic survival, an independent Singapore must expand its exports to the United States and attract American capital to develop new export industries.

Lee also recognized the importance to Singapore's stability of the American effort to forestall Communist aggression. In private talks with important American visitors, Lee has supported the US position in Vietnam,⁴ although not all our tactics, particularly the bombing of North Vietnam; in public, he has said that the fate of Asia for years to come will be decided by what happens in South Vietnam and that holding the line in South Vietnam against Communist expansion is essential to Singapore's stability. In addition to recognizing the strategic importance of the US role in Vietnam, Lee and his government appreciate the economic benefits accruing from purchases in Singapore for US forces in South Vietnam and from Rest and Recreation expenditures there.

Lee has also been led to reassess his attitude towards an American security role in the area by his gradual acceptance of the fact that the British are going to withdraw militarily from the Malaysia-Singapore area by the mid-1970's except possibly for small forces to fulfill the UK commitment under the mutual defense treaty. He has suggested publicly that, under certain circumstances, an American military presence might become necessary.

Lee's Principal Objectives. Lee probably does not expect to obtain specific commitments from the United States during the course of his visit. Rather he probably hopes to establish a climate in which he can obtain sympathetic understanding of Singapore's problems and of his own views as to how the United States can contribute to their amelioration. Defense arrangements, economic problems, and Singapore's role in the area will probably be foremost among his preoccupations.

⁴ On June 29 John P. Roche of the NSC Staff sent President Johnson a summary of Lee Kuan Yew's off-the-record remarks to the Institute of Strategic Studies in London. One of Lee's three themes was that the United States must resist Hanoi's aggression (Lee's characterization). Johnson saw the memorandum from Roche. (Johnson Library, National Security File, Country File, Singapore, Vol. I, Memos, 8/65-7/67) A CIA [text not declassified] Report, [text not declassified], which was retyped in the White House, reported on a private conversation with Lee and a colleague in which the Prime Minister said he supported American intervention in Vietnam and feared that, if it failed, Communist subversion would slowly spread through all of Southeast Asia. There is no indication on the retyped copy that the President saw it. (Ibid.)

Lee may raise the question of US willingness to cooperate with the UK in guaranteeing the external defense of the area. In the light of Malaysia's and Indonesia's interest in diverting their trade away from Singapore and the economic effects of the British military withdrawal, he may hint that the US should make especially favorable conditions for Singapore exports. He may suggest that the US contract with Singapore to have some of its ship repair work done in Singapore. He will want to convince us that Singapore's population is primarily oriented to Singapore not China, and he will assure us that Singapore is willing to bear its share of responsibility for effective regional cooperation.

Possible Results of Lee's Visit: A Good Public Image in the US but Friction in Southeast Asia. The Lee visit will probably command considerable American press attention. Lee's already scheduled public appearances at the National Press Club in Washington and the Council on Foreign Relations in New York may well be supplemented by others and by TV and radio interviews. All of this will be gratifying to Lee and may well increase the sympathy and respect with which he is now inclined to view the United States. On the other hand, to the extent that Lee is widely publicized by the American press and built up as an Asian intellectual leader, his visit may antagonize the Malaysian government, particularly Prime Minister Tunku Abdul Rahman and Finance Minister Tan Siew Sin, who have not themselves attracted wide publicity in the US. While Lee's American visit may enhance his prestige as an Asian leader and Singapore's status among other Southeast Asian countries, too much and too favorable publicity for Lee, an ethnic Chinese, could also be resented by non-Chinese leaders of other neighboring states who also crave the limelight as Asian leaders. This possibility, together with Lee's disinclination to take public positions that will compromise Singapore's non-aligned status, may lead him to curb his natural instinct for publicity during his American visit.

280. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, September 14, 1967.

SUBJECT

Malaysian Desire to See You on Fall in Rubber Prices

The price of rubber has recently reached a 17-year low. The Government of Malaysia is trying to give the impression that it is doing something about it. Without any discussion with us, they announced that their Finance Minister was coming to Washington to discuss with you, if possible, the "serious problem" posed by sales from our rubber stockpile.

This is nonsense. During the past 12 months we have cut our stockpile sales from 170,000 tons a year to the current 70,000 tons, all of which is used to meet U.S. Government contracts. These sales simply are not a significant factor in the current rubber market.

I do not believe you should see the Malaysian Finance Minister:

(1) He will be asking that we totally suspend our disposal sales. He should be told "no," and I think it best that he get that answer from a lower level.

(2) It is probable that the Malaysians will, at some stage, try to make us the whipping boy for their rubber problems. I, therefore, think it best that you avoid any personal involvement in this matter.

(3) Finally, they are trying to meet a serious problem by chanting magic incantations. I think it is beneath the dignity of your office to get involved in this exercise in futility.

The State Department is in agreement, but I expect Malaysian Ambassador Ong will make strenuous efforts to arrange the appointment through the back door, once he finds the front door is locked. This memorandum is intended to "cut him off at the gulch."

I recommend that you decline all efforts to arrange a meeting between you and the Malaysian Finance Minister.²

Walt

¹ Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Cables, 1965-1968. Confidential. Rostow based this memorandum on memoranda from Jorden, May 9, and Wright, September 14, to him. (Ibid., Memos, 1965-1968 and ibid., Cables, 1965-1968)

² Johnson checked the "Approve" option. Rostow added the following handwritten option: "My boys recommend that I see him." Johnson subsequently changed his mind and did see the Finance Minister; see Document 283.

281. Memorandum From Marshall Wright of the National Security Council Staff to the President's Special Assistant (Rostow)¹

Washington, September 29, 1967.

SUBJECT

Your meeting at 5:00 p.m. on September 29—rubber, Malaysia, and Finance Ministers²

I thought it might be useful for you to have this background prior to the meeting.

The Malaysians are continuing their all-out efforts to get Finance Minister Tan Siew Sin in to the President. They have sent Foreign Ministry Permanent Secretary Ghazali here as an advance man charged with the task of getting the appointment.

In meetings at State and here, Ghazali has made a very vigorous presentation, the essence of which is:

- (1) The Malaysians greatly value their friendship with the U.S.
- (2) The Malaysian future is based on the success of current development efforts largely based upon stability in the rubber market.
- (3) The decline in the rubber market is an extremely serious problem for Malaysia, and Communist propagandists are attempting to poison U.S./Malaysian relations by using our stockpile disposals as "evidence" that the U.S. is not really helpful to Malaysia.
- (4) The Malaysian government wants to remove, once and for all, this irritant in U.S./Malaysian relations.
- (5) The Malaysians, therefore, want to discuss a series of proposals for ending the stockpile problem.
- (6) In the meantime, it is essential that Tan see President Johnson and that the President indicate that he has instructed his government to work "together" with Malaysia in regard to the rubber problem.
- (7) This will then enable the Malaysian authorities to handle their public relations problems with Communist agitators.

¹ Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965-1968. Confidential. A copy was sent to Jordan.

² No memorandum of conversation of Rostow's meeting with Ghazali has been found, but in a September 30 memorandum to Rostow, Wright described the results of the meeting. Wright wrote: "prior to the meeting with Ghazali in Ernie Goldstein's office [a Special Assistant to the President specializing in domestic issues] Malaysian Finance Minister Tan was planning to follow his meeting with the President with a speech in New York in which he would call for complete suspension of our sales from the rubber stockpile. It [an attached cable from Kuala Lumpur] also shows that exposure to reality in Ernie's office has led the Malaysian Government to order the suspension of GOM statements attributing the rubber price decline to U.S. stockpile releases." Wright considered this a "move in the right direction," as well as evidence of the danger of connecting the President with the rubber problem and the need for "courteous but complete candor" with the Malaysians. (Ibid., Cables, 1965-1968).

Ghazali stresses that, for the time being, concrete steps are not as important as the atmospherics of a presidential meeting.

Of the various Malaysian proposals for dealing with the stockpile, only one has any possible merit from the U.S. point of view—that the Malaysians purchase the entire stockpile. We have had several meetings with the technicians on this possibility, and Ed Fried has come up with a package which all agree is worth considering from our point of view. Briefly, the package is:

(1) The Malaysians would convert \$100–\$150 million of their reserves into 5-year Treasury bonds. Thus we get an immediate balance-of-payment effect to the value of the stockpile.

(2) EXIM extends a credit to the Malaysians to enable them to purchase the stockpile. This is a washout from the budgetary point of view in that it is a debit to EXIM and a credit to the stockpile account. The loan agreement would provide for repayment within three years. Thus, we would get a net favorable budget effect, either immediately by selling the paper at a discount, gradually through the amortization of the loan or, at worst, in lump-sum repayment after three years.

We do not know whether this idea is even in the ball park, so far as the Malaysians are concerned. Bob Barnett is informally sounding out the Malaysians on this. Thus far, all agree that if the Malaysians are not serious about a previous agreement on something concrete, Tan should not see the President. State, however, is giving at the seams and will, I think, eventually recommend the meeting, even if it is only for cosmetic effect.

My own instinct is that the Malaysians are really engaged only in an effort to get Tan in to see the President. I believe they will take the position that nothing concrete can be agreed upon without extensive study, but their hearts are in the right place, and we should show that our hearts are in the right place by having the President receive Tan and make noises on working together on the rubber problem.

An additional complication, of which you should be aware, is that the Indonesian Finance Minister, Franz Seda, will be in town at the same time (next week) as Tan. Seda also wishes to see the President to deliver a letter from President Suharto.³ State is much concerned with the damage that could be done if Seda were to see the President while Tan was refused. I agree that this is a problem. One way out would be for you to see Seda on the President's behalf.

Marshall

³ Seda met with Vice President Humphrey; see footnote 2, Document 245.

282. Memorandum From Secretary of State Rusk to President Johnson¹

Washington, October 9, 1967.

SUBJECT

Possible Appointment with Malaysian Minister of Finance, Tun Tan Siew Sin

The Malaysian Minister of Finance has been in Washington for ten days as a Special Emissary of the Malaysian Prime Minister, to explore with us ways of alleviating the situation in rubber whose price has fallen to an eighteen year low. He has asked us in the strongest terms for at least a courtesy appointment with you. Our recommendation is that you agree to such an appointment on Tuesday, October 10, or Wednesday, October 11, with the understanding, already obtained from the Minister, that he would make no requests of you with respect to rubber, would make Southeast Asian regional cooperation, and the role of the Asian Development Bank in particular, the major focus of the exchange of views he desires, and would agree to issuance to the press of the release attached.²

Recommendation

That you agree to a short courtesy call with the Minister of Finance on October 10 or 11 with the understanding that a public statement would be made along the lines of the enclosed.³

Background

The Malaysian Minister of Finance left Kuala Lumpur with the Malaysian press stating that his purpose was to request you to suspend sales from the GSA stockpile. For a considerable period of time, Malaysia has attributed an entirely disproportionate importance to stockpile disposals as a factor in the downward trend of rubber prices which currently are at their lowest level in 18 years. They have taken hitherto no account of the difficulties you would face in reducing disposals below the present level of 70,000 tons being sold exclusively for U.S.

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 MALAYSIA. Confidential. Drafted by Barnett and Robert W. Duemling (EA/MS) and cleared by Eugene Rostow and Solomon.

² The press release was attached to an October 9 memorandum from Bundy to Rusk, in which Bundy recommended that the Secretary send this memorandum to the President. Bundy outlined in more detail the issues and described in Tan's seven meetings with State, Treasury, and GSA officials. (Ibid.) The text as released by the White House Press Office is in telegram 52462 to Singapore and other relevant posts, October 11. (Ibid.)

³ For the memorandum of Johnson's discussion with Tan, see Document 283.

Government purposes. We have said in the strongest terms that reduction below 70,000 would be impossible. The Finance Minister brought with him to Washington a proposal to purchase the whole of the 360,000 tons of stockpile rubber. Under what precise arrangements such a transaction may be possibly completed without adverse effect upon either the U.S. or Malaysian budget and balance of payments situations has been under urgent study for the past week. After very careful calculations, it was the opinion of both sides that the gap between the price Malaysia was prepared to offer and that which GSA could accept was too wide to offer any promise that a transaction could be closed without some other, perhaps radically different, approach to the possibility of a sale. Discussion of possibilities can be resumed if the Malaysians desire.

We have been impressed by the way Minister Tan and his colleagues have begun to search for realistic solutions to the problems of natural rubber and are gratified that they seem ready to try to deflect Malaysian public opinion from a long-standing preoccupation with our stockpile sales. He has accepted, with disappointment but in seeming good spirit, our judgment that an international rubber agreement, dealing with synthetic and natural rubber, is impractical and that the United States could give no encouragement to holding conferences or commencing discussions for the purpose of establishing such an agreement.

Minister Tan faces real problems in returning to Malaysia if he can offer no credible explanation for why he remained ten days in Washington as Special Emissary of the Tunku and failed to see you. Minister Tan is prepared to make firm commitments that in a call on you he would ask nothing of you nor raise any points brought up in our recent discussions on rubber. Instead he would be prepared to express appreciation for reductions you have made in rubber stockpile disposals, and would wish otherwise to use the occasion of his call to discuss Southeast Asian regional cooperation and, in particular, the important role of the Asian Development Bank.

Dean Rusk

283. Memorandum of Conversation¹

Washington, October 10, 1967.

SUBJECT

Rubber and Malaysian Role in Viet-Nam

PARTICIPANTS

The President

Walt W. Rostow, Special Assistant to the President

Joseph A. Califano, Jr., Special Assistant to the President

Ambassador James D. Bell, American Embassy Kuala Lumpur

Robert W. Barnett, Deputy Assistant Secretary (EA)

Tun Tan Siew Sin, Minister of Finance, Malaysia

Ong Yoke Lin, Ambassador of Malaysia

Mohd. Ghazali bin Shafie, Permanent Secretary, Malaysian Ministry of Foreign Affairs

The Minister conveyed greetings from Prime Minister Tunku Abdul Rahman and referred to the warmth and joy of President Johnson's visit to Malaysia. He said he had come to Washington because of difficult circumstances which had arisen in Malaysia because of the price of rubber. He explained the economy was heavily dependent on rubber and the price was the lowest in 18 years, causing budgetary and balance of payments problems. To illustrate, he said that rubber smallholders are—reminiscent of days of the Japanese Occupation—now getting only one meal a day. In short, rubber prices were having grave social and economic effects.

The Minister said although he did not want to burden the President with details, he did want to explain that Malaysia had brought to Washington three proposals. One was to buy up the rubber stockpile and here he said the United States and Malaysia had found a wide area of agreement, but none yet on the critical question of price. His second proposal was for Malaysia to have first refusal to buy the 17,500 tons we are now offering quarterly. This was not acceptable to the United States. The third was an offer to buy on the open market, the foreign exchange costs of which could be covered by a switch in Malaysian reserves from London. The present situation was a decision to continue the dialogue and not to close the door on further exploration of possibilities. He said he thought this was a useful step toward solving the problem.

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 MALAYSIA. Confidential. Drafted by Bell and approved by Walt Rostow on October 17. The meeting lasted from 5:23 to 5:50 p.m. (Johnson Library, President's Daily Diary)

The President asked how much surplus we had and how Malaysia would pay for it. It was explained that there was a 360,000 ton surplus and that it could be paid for through a financing arrangement with the Export-Import Bank. The President asked whether or not there would be a loss or a gain in the sale of rubber. Mr. Barnett explained how discount of the price from the current 19.5¢ to 13.5¢ might be possible. The Malaysians still said they could only pay 6¢ less than this. The calculations that went into our reduction from 19.5¢ to 13.5¢ represented savings to GSA by selling rather than storing, administering, and processing this deteriorating commodity. The Malaysians took into consideration in arriving at an offer of 7¢ a pound such additional factors as a discount for bulk sales, projection of declining price, and a certain "aid" factor. The President agreed immediately that we should not make such discounts. He would be obliged one day to justify sale to the Congress.

Minister Tan Siew Sin explained decline in value of our stockpile. We had bought when prices were very high during the Korean War. The current soft market price of rubber was due to an economic recession in Western Europe (he also included the USA), more Indonesian rubber in the market, closure of the Suez, and strikes in the United States.

The President said why didn't we use rubber in tires purchased by the USG. Ambassador Bell said that we were using the rubber for USG purposes.

The President explained that he was faced with \$30 billion deficit due to costs for the war in Viet-Nam. He said that the USG had estimated a revenue of \$800 million from disposals on surplus commodities, but that in fact this was running at a rate of only \$400 million. He asked Mr. Califano to take another look at how sales of stockpile items could be increased.

The President asked what Malaysia was doing to help in the Viet-Nam War, especially in regard to training, which he recalled he had discussed with the Tunku last October. The President said he had to show some more aid from Malaysia and from other countries in the area whose interests and safety we defended. Ambassador Bell explained that Malaysia was training 35-40 police officials at any given time. The President thought this was pretty small and expressed the hope that many more Vietnamese would be sent to Malaysia for broader training. We should step up this program.²

² In a memorandum to Walt Rostow, October 13, Wright stated that the Malaysian contribution to Vietnam was greater than this. Since 1962, Malaysia had trained about 2,000 police and had sent a high-level group to Saigon to discuss rural development, which got "the cold shoulder from the Vietnamese." Wright suggested that the Malaysians' best contribution was training high-level officials in implementation of economic development plans and getting political credit from it. (Ibid., National Security File, Country File, Vietnam, 5 D (2), Allied Troop Commitments and Other Aid, 1967-1969)

Referring back to the rubber stockpile, the President said that Mr. Moody³ should be asked to determine the lowest price at which we can sell the stockpile to Malaysia.

Minister Tan, referring to a recent talk with Mr. Eugene Black, expressed appreciation for the American contribution to the Asian Development Bank. The President expressed some doubt that he would be able to get the needed legislation from Congress this year.

As the Minister was leaving, the President asked him to tell the Tunku he would appreciate anything further that Malaysia could do to help in Viet-Nam. He said it wasn't the number that counted but a really sincere effort.⁴

³ Acting Administrator of GSA Joseph Moody.

⁴ In a memorandum to the President, October 11, Goldstein reported that as a result of their meeting with Johnson, Tan and Ghazali had a "more realistic appreciation of the complexities and burdens" of the President's position. This realization would make the Malaysian Government more reasonable and improve U.S.-Malaysian relations. (Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Cables, 1965-1968)

284. Memorandum From Secretary of State Rusk to President Johnson¹

Washington, October 13, 1967.

SUBJECT

Your Meeting with Prime Minister Lee Kuan Yew of Singapore

General

Lee's visit is in many ways similar in tone and objectives to that of Ne Win a year ago. Although Lee has come out strongly in basic defense of our actions in Viet-Nam, and is deeply engaged in Southeast Asian regional cooperation, he remains basically independent and non-aligned. *What he really wants to do is to discuss the future of Southeast Asia frankly with you and to assess American policy there.*

Lee is a highly intelligent and able man, educated in the law in England, and deeply familiar with the British and particularly the current Labour Government. He now realizes that the British are in the process of disengaging from Southeast Asia, and this leads him to two related beliefs: (a) that a *continuing American role* in Viet-Nam and in support of individual and regional economic development is *vitaly important*; but (b) at the same time, that *the nations of the area* must use the time we have bought for them in Viet-Nam (his own phrase) to *strengthen themselves and to cooperate much more strongly*. What he wants to know, not only from talking with you but from a wide schedule of contacts in the rest of his trip, is *whether the United States has the stamina to see Viet-Nam through, and the subtlety and will to play the important but over time diminishing role that he envisages for us in the area.*

Lee is Singapore, and would probably appreciate it particularly if your conversation with him was largely private and without staff. He may be tense at first in a new setting, but we believe you will find him direct, frank,

¹Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 SINGAPORE. Secret. Drafted by William Bundy and cleared by Maurice D. Bean, Country Director for Malaysia-Singapore. A typewritten note reads: "Original sent to WH in Briefing Book." In an attached covering memorandum to Rusk, Bundy noted that this memorandum was lengthier and in a different format than the normal practice, but Bundy felt that since Lee was such "an exceptional individual" and since he and Johnson had never met, it would be of greater use to the President. Johnson met Lee alone in the White House on October 17 from 12:03 to 1:22 p.m. (Johnson Library, Daily Diary) No record of their conversation was made. While Galbraith did not know what Lee and Johnson spoke of, he concluded from subsequent meetings with Lee that "the meeting left Lee with a deeply favorable impression of the President and a desire to be helpful to him." (Memorandum from Galbraith to Rostow, November 15; National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 SINGAPORE)

and very much worth talking to. He has no significant requests to make, and no desire whatever even to mention the frictions we had with him two years ago [1 line of source text not declassified]. For him, the past is dead, and the important thing is to plot his future in a new type of Southeast Asia, with an American role along lines very similar to those we ourselves would visualize.

If you wish to get a capsule picture of his thoughts and intentions, we enclose major excerpts from a television interview that he gave in late September.²

Specific Topics:

1. Viet-Nam

Lee has no doubt of the basic importance of our seeing it through. He has made a number of strong and helpful statements in the past nine months, the latest being at the British Labour Party conference in Scarborough. He does not expect to be thanked for these, but a quiet expression of appreciation for his understanding would not be amiss.

You might consider asking him what he would do at this point in your shoes. He has no very special knowledge of Hanoi, but he does know Communists from long experience, and he considers himself something of an expert on China. His response could be interesting and would probably be along the lines of a middle course—doing all we can in the South, keeping up the pressure and the bombing unless we get something very concrete in return for stopping, but not appearing to threaten China or the existence of North Viet-Nam. Although Lee has signed on to one "stop the bombing" communiqué with the Indians, it seems pretty clear that—like the Indonesians—he did so for the sake of his non-aligned image and not out of deep belief. He would be deeply interested if you gave him your personal views on the strength of dissent and opposition in this country, and how you are handling the situation. He and the inner circle of his government are highly discreet, and we have no reason to believe that any confidence you share with him would be violated.

2. Southeast Asian Regional Cooperation

Lee's conversion to this was due much to the highly successful visit of Eugene Black during his trip last fall. He became convinced that our quiet general support made sense, and he then went to work with the other nations to form what is now the ASEAN grouping of Malaysia, Singapore, Indonesia, Thailand, and the Philippines. Lee would have liked to see ASEAN bite off more concrete economic projects, but he accepts it as a good first step. You might wish to draw him out on this,

² Attached but not printed.

not only on the economic possibilities but on whether he sees ASEAN making an indirect security contribution over time. We ourselves believe that ASEAN could reduce the chances of further difficulty between Indonesia and its neighbors, and that—even though it has no express security provisions—it could develop a useful morale and authenticating function against future aggression directed at any of its members or countries in the area.

3. *Indonesia*

Singapore's economy could be enormously benefited by the revival of Indonesia, and Lee is totally in favor of our policy of multilateral aid. He is not all that sure that Indonesia can maintain its stability, but he has no doubt that this is essential in the future picture of the area.

4. *Malaysia*

Lee and the Tunku are oil and water, and there are continuing suspicions and criticisms. Basically, Lee is a bright Chinese who thinks that Malays are pretty sloppy people. Occasionally, he gets into destructive and unhelpful comment on this, although we doubt very much that he would do so with you. Nonetheless, he knows that the two have to get along, and will not demur to being told so in quiet but firm tones, as *we are making clear that this is something the two have to handle for themselves*. In the past, he has been concerned that we were going to step into the British shoes in Malaysia and give Malaysia extensive military support; this fear has now been allayed by our low-key policy in Malaysia and by our willingness to sell modest military equipment to Singapore itself.

5. *Implications of British Withdrawal*

Lee fought last spring's fight with the British, shoulder to shoulder with us, the Australians, and the New Zealanders, and may well have been the most effective of any of us. He is deeply concerned that the British at least adhere to their present timetable, and he will be joining with the Malaysians, Australians, New Zealanders, and hopefully the British to review the situation in early 1968 and see what can be done. His comments on the current British situation would be worth hearing, as he has just come from England. His comments on the future will probably be general, except for point 6 below.

6. *U.S. Use of Singapore Bases*

Lee has now *said publicly* that he would be perfectly willing to have our naval vessels and aircraft use the facilities in Singapore on a commercial basis. Privately, he may well urge us to do so. DOD and JCS have gone over the possibilities, and are reluctant to change present arrangements at least in the short term. We suggest you tell him simply that we have had a hard look at this, and that he should discuss it

with Secretary McNamara.³ He does not expect any firm undertaking from us, and *any decision on our part will probably have to come gradually and over a period of time, if at all.*

7. Economic Matters

We doubt if Lee will raise anything on this score with you. We have a reasonably satisfactory cotton textile agreement, and his main concern is to get more American private investment. If he should even mention the cotton textile situation, on which certain minor matters are pending, we suggest you refer him to Secretary Rusk.

8. Overseas Chinese

Lee is deeply convinced that the future of the overseas Chinese in Southeast Asia lies in their individual countries, and that Singapore can serve as an independent model and influence in the area. At one time, he *had the suspicion that Americans were convinced that the overseas Chinese were a Chinese Communist fifth column.* If he gets on to this topic, you should *leave him in no doubt we have no such belief today, and that we fully share his basic view.*

9. Singapore Itself

Lee and his government *have done an outstanding job of making Singapore work.* The living standard is the second highest in Asia, and his housing and other programs are models. So are his civil service and lack of corruption. At the moment, his political troubles seem minimal, with the more chauvinist Chinese put at a disadvantage by the disorder on the mainland.

He would doubtless appreciate your expressing a word of congratulations on his domestic performance and asking for his comment.

10. Developments in Communist China

Lee is as uncertain as the rest of us of what is going to develop there, but probably sees it as a gradual unraveling unless Mao calls off the cultural revolution. His main concern is that when Communist China pulls itself together—2, 5, or 10 years from now—Southeast Asia should have been strengthened to the point where the Chinese will let it alone. He is entirely clear that the Communist Chinese do not plan

³ McNamara met with Lee on the evening of October 18. They discussed prospects of continued British military use of Singapore's facilities in face of the Wilson government's plans to withdraw east of Suez. Lee was confident Singapore's repair and maintenance facilities and its military airfield would keep the British Navy there. Lee hoped that the United States would also consider using Singapore, and McNamara agreed to look into that possibility. Lee and McNamara then had a long discussion on Vietnam in which Lee argued that the United States was placing military considerations before political ones. (Memorandum of conversation, October 18; Washington National Records Center, RG 330, OSD Files: FRC 72 A 2468, Singapore 1967 (Singapore 09.1.112) and memorandum from Galbraith to Rostow, November 15; National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 SINGAPORE)

military aggression, but equally clear that they will inevitably exert great pressure and build up subversive assets if Communist China is again united and determined and Southeast Asia has not become a lot stronger and more cooperative.

Public Statements

We have drafted a very simple joint statement to be issued on the afternoon of the second day of the visit.⁴ We expect to have this worked out fully before Lee arrives, and at the latest on the first afternoon. In Washington, Lee is not appearing in public, but is making an off-the-record speech to the Overseas Writers and seeing the House and Senate committees. Thus, there should be no real competing publicity during his Washington stay, unless the Congressional committees should leak.

On the rest of his trip, he has several public speeches and will appear on "Meet the Press" on Sunday, October 22. He knows how to handle himself, and we think the net results could be very favorable. You might wish to indicate your awareness that he is doing these public appearances, but we strongly urge that you give him no substantive advice unless he asks for it—and then only in low key. He is an articulate and tough politician who will have already figured out what he wants to say.

Dean Rusk⁵

⁴ The joint statement, October 18, is printed in *American Foreign Policy: Current Documents, 1967*, pp. 806-807.

⁵ Printed from a copy that indicates Rusk signed the original.

285. Memorandum of Conversation¹

Washington, October 17, 1967, 4:15 p.m.

SUBJECT

Singapore Prime Minister Lee Kuan Yew's Meeting with the Secretary

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL SINGAPORE-US. Secret; Exdis. Drafted by Galbraith and approved in S on November 2. The meeting was held at Blair House.

PARTICIPANTS

Singapore

His Excellency Lee Kuan Yew, Prime Minister of Singapore

His Excellency Professor Wong Lin Ken, Ambassador of Singapore

United States

The Honorable Dean Rusk, Secretary of State

The Honorable Francis J. Galbraith, Ambassador to Singapore

Assistant Secretary for East Asian and Pacific Affairs William P. Bundy

1. In response to the Secretary's opening question about what he thought British intentions in Singapore were, Lee said that barring catastrophe to the British pound, the British position would hold until April 1971. They would, however, be gone from Malaysia, and the die would be cast for their eventual complete withdrawal from the ground in Southeast Asia. Lee indicated that he gave little credence to the British defense commitment once that withdrawal took place. The danger would be internal, not external, and there was little that a mobile force, afloat or in the air, could do to help on that. It was important that someone fill the vacuum. Lee said he was disturbed at the prospect of New Zealand's expected movement of troops out of Malaysia to Viet-Nam. The Communists along the Malaysia-Thai border would be watching these developments carefully. Lee said it had been the British and Australians who had convinced the Communists they couldn't win the insurgency in Malaya. They might, in the absence of replacement for the British troops withdrawn, be emboldened to try again.

2. The Secretary asked Lee what he would do if he were in our shoes in Viet-Nam. Lee said he would put the alternatives before his political opponents and make them choose. He thought a bombing pause might be tried but there was danger if it failed, that the hands of those political opponents who favored escalation would be strengthened. Lee thought the most important thing to do was to find "digits" strong enough to put backbone into the South Vietnamese and to provide the government there with the required credibility. He spoke critically of General Thieu and Marshal Ky and he questioned whether the United States would continue to show the necessary stamina in the face of the lack of productivity of the war effort under their leadership.

3. Lee also deprecated the U.S. record in Asia. As examples, he cited our alleged failure to come to the aid of the Kuomintang Government in China (giving our support, instead, to Europe in the form of the Marshall Plan) and other (unspecified) actions in the 1950's which he called "imperialistic, selfish and cynical." He said he would not commit himself to the side of the United States unless and until he could be assured that we would stand firm in Asia and that we would stand back of him. He implied that this would require proof on our part erasing his doubts. Lee went into some diatribe alleging that the

American motives, leading it to favor its European at the expense of its Asian commitments were basically attributable to racial feelings against Asians. The Secretary said he could not accept that interpretation of our record in Asia or our motivations. He added that unless the Prime Minister could find the assurances he was seeking of the kind of people we are from our record in Asia since World War II, there was no form of words that would provide such assurance.

4. Lee talked at length about his suspicions that American "Eurocentrism" made it unlikely that we would do what will be necessary to preserve a balance of power in favor of the free countries of Asia. He seemed to be trying to draw the Secretary into a statement about the willingness of the United States to make a commitment to Singapore as a quid pro quo for more explicit support of the U.S. position in Asia by Singapore. Toward the end of the meeting, the Prime Minister's voice took on an urgent, almost desperate note as he pictured the United States and Singapore in partnership in Southeast Asia. The Secretary, however, made no commitment.² Lee then said they might not have another chance to talk as he didn't know when or whether he would be able to come to the United States again.³

² In a November 15 memorandum to Rostow, Galbraith stated that for reasons not clear to him, the Lee-Rusk conversation was "less felicitous than most others." Galbraith thought Lee's expressions were "overdrawn and he sounded less reasonable and attractive than he was on most other occasions." Lee "seemed to be drawing the Secretary into a statement of commitment, or of a willingness to consider a commitment, to Singapore as a quid pro quo for more explicit Singapore support for the United States in Vietnam." Galbraith reiterated that Lee's argument was urgent, almost desperate, which he attributed to Lee's tension about his first meeting with Johnson, the long day, and his encounters with the American press corps. (Ibid., POL 7 SINGAPORE)

³ In a meeting with William Bundy the morning of October 18, Lee expressed his desire to maintain a British military presence in Singapore and his hope the United States would use Singapore's repair and maintenance facilities more in the future. Lee warned against allowing the Malays and Indonesians to expect U.S. support if there was any discord with their Chinese populations. Bundy assured Lee of U.S. impartiality, but Lee remained suspicious of "the Generals" in Indonesia and "the young Turks" in Malaysia. Lee stated he wanted to arm Singapore sufficiently to "give anybody a bloody nose who is going to rob the house and take my jade pieces." Bundy promised the sale to Singapore of light weapons, but thought heavy weapons a mistake. Lee hoped that the word could be dropped that the Seventh Fleet would prevent Indonesian or Malaysian incursion into Singapore. Bundy and Lee then discussed Vietnam. (Memorandum of conversation, October 18, and memorandum from Galbraith to Rostow, November 15; *ibid.*, POL SINGAPORE-US and POL 7 SINGAPORE)

286. Memorandum for the Record

Washington, October 18, 1967.

[Source: Department of State, Bundy Files: Lot 85 D 240, Lee Kuan Yew. Secret; Eyes Only. 3 pages of source text not declassified.]

287. Memorandum From Vice President Humphrey to President Johnson¹

Washington, October 19, 1967, 11:30 a.m.

SUBJECT

Meeting with Prime Minister Lee Kuan Yew of Singapore
Wednesday, October 18, 1967

Yesterday morning in a frank exchange with Prime Minister Lee Kuan Yew of Singapore, Lee likened our experience in Vietnam to a long bus ride, from which we had several opportunities to get off, but from which we cannot now debark until the trip is successfully concluded. We could have left the scene in 1956 after the elections of that year; in 1961 because of the generally unfavorable situation; and in 1963 after Diem's death, by stating that we did not desire to get mixed up with the "generals' settlement" and therefore withdraw our 25,000 advisers. By 1965, there was no longer a choice, and in 1967 any talk of withdrawal is nonsensical.

"What will happen to you," he declared. "Who will place any confidence in you?"

The Prime Minister said that the United States had made no commitment to him, and that he was not looking for one. He said, however, that if the United States indulged in a "give-away" or withdrew from Vietnam, there would be fighting in Thailand within one and a half to two years, in Malaysia shortly thereafter, and within three years, "I would be hanging in the public square."

¹ Source: Johnson Library, National Security File, Name File, Vice President, Vol. II. No classification marking. A note on the memorandum indicates that the President saw it.

Lee stated that he had rejected Communism and defeated it in his country by "ballots and not bullets." "My God," he said, "they want to punish me for that!"

The Prime Minister, who was to speak before the National Press Club at noon and before the Senate Foreign Relations Committee later in the afternoon, asserted that he could not understand either our Senators or our Press. He asked if the Senators spoke from their hearts or for their constituents, when they declared we should get out of Vietnam. He said the Press was making Vietnam a domestic political issue, and he is reluctant to get involved in the domestic debate on Vietnam.

I explained to him the relative political independence of a U.S. Senator and told him that in my opinion, if the chips were really down, that 80 out of 100 Senators would support our policies in Vietnam. I also assured him that the Press would report what he said as he said it.

I urged him to tell the Senate, the Press Club and his viewers and listeners on his "Meet the Press" appearance, exactly what he had said to me.

Without urging or prompting, Lee summed up his feelings:

"Does America feel that we are human beings? That this part of the world matters? The center of gravity has moved from the Mediterranean to the Atlantic to the Pacific. You are going to have to take sides. No one wants to be on the losing side. With you, we have a fighting chance. For me, it's survival."

Speaking of the Viet Cong and the North Vietnamese, Lee stated that we must convince them that history is not on their side. If they believe this, they will not hold out for a long period of time. Referring again to the necessity for perseverance on the part of the United States in Asia, Lee stated: "If you are wavering, I am going to make some contingency plans." He added that the Thais, who have a legendary reputation in Asia for anticipating history and switching sides to end up on the winning side, will be the first to make other arrangements and reach some accommodation with North Vietnam or China.

Knowing that U.S. presence in Asia is essential to his own survival, Lee is nevertheless concerned about how one can keep the temperature controlled in the United States on this issue during an election year. He is greatly concerned that the war might widen. Speaking of Secretary McNamara, whom he had met and whom he greatly admires, he stated that "when I have seen him (McNamara) whittled down by the generals, this worries me."

I assured the Prime Minister that the main general, the Commander-in-Chief, is elected, and he is the man in charge. There is a strong tradition here of civilian supremacy, which once led President Truman to remove General MacArthur at the time of the Korean War.

This government is not engaged in trying to obliterate North Vietnam. The President remains open to suggestion and innovations on the question of strategy and tactics. He is determined that every possible restraint will be applied to prevent the war from becoming a major conflagration. He has emphasized this in his talks with foreign leaders, including those with Prime Minister Kosygin at Glassboro.

I told the Prime Minister that there is general agreement here on the importance he attaches to the patience and determination of the United States in meeting its commitment in Asia. This is what has been called into question by critics in Congress, the Press and across the country. It is for that reason that it is so important that a man like Lee Kuan Yew, who is a highly-regarded Asian leader from a non-aligned country, speak frankly to the Congress and to the public on these issues. If the Prime Minister could say to the Congress and on television some of the things he has been telling U.S. officials in Washington this week, this would be immensely helpful.

In response to my inquiry about his recent visit to England and the political situation in Great Britain, he replied that it had been a very dispiriting visit. The pound was in trouble, and the closing of the Suez and the balance of payments were problems of great concern to the Labor Government.

In answer to my question about possible devaluation of the pound, he stated that if the pound were to be devaluated, it would be the end of the Prime Minister, the Chancellor of the Exchequer, and most likely the Labor Government. He said the Labor Party was in a "soul destroying" phase. Wilson was "doing all bad, hurting his own supporters." "Labor," he said, was "not winning a chap from the other side."

"Britain," he said, "has never been more depressed." The Labor Party Conference was like "whistling through a cemetery."

Lee did say, however, that the recent Middle East conflagration may have been the last crisis, and if the pound is not devalued or revalued, that there may be a recovery in the late seventies.

288. Editorial Note

Vice President Hubert Humphrey traveled to Malaysia after attending the inauguration of President Thieu and Vice President Ky in South Vietnam on October 30, 1967. On November 2 Humphrey met with Prime Minister Tunku Abdul Rahman and his Cabinet. The Prime Minister told Humphrey in this meeting that Malaysia was "keenly

interested" in Indonesia's economic recovery, but felt the Indonesians were not receptive to Malaysian offers of assistance. The Tunku suggested that some sort of international committee should be established to this end, and Humphrey agreed. (Telegram VIPTO 64/1728 from Kuala Lumpur; National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 US/HUMPHREY)

Also at this meeting, the Tunku raised the problem of the Philippines claim to Sabah, saying that Malaysia was not going to surrender part of its soil to a claim based on Spanish and American rulers nor after the Philippines waited 17 years to bring the issue up. Humphrey confided to the group that the Philippines press was keeping the issue alive and hoped that Malaysia would continue bilateral negotiations to resolve the issue. (Telegram VIPTO 65/1729 from Kuala Lumpur, November 2; *ibid.*)

Humphrey and Malaysian Cabinet members discussed economic problems, including increasing rice production, financing low cost housing, and the problem of rubber, especially in the face of synthetics. Humphrey encouraged the Cabinet to consider economic diversification. (Telegram VIPTO 66/1730 from Kuala Lumpur; November 2; *ibid.*) The Cabinet and Humphrey then discussed Vietnam at some length. The Tunku urged South Vietnamese-Viet Cong talks, which even if they failed would demonstrate South Vietnam's desire for peace. (Telegram VIPTO 67/1731 from Kuala Lumpur; November 2; *ibid.*)

289. Memorandum From the President's Special Assistant
(Rostow) to President Johnson¹

Washington, November 1, 1967.

Your comments to the Malaysian Finance Minister about the need for more assistance in Viet-Nam generated some action.²

Through Secretary Rusk, the Malaysian Prime Minister has sent his assurances to you that Malaysia will not only continue to train South Vietnamese officers, but will increase the size of that program.³

¹ Source: Johnson Library, National Security File, Country File, Vietnam, 5 D (2), Allies Troop Commitments and Other Aid, 1967-1969. Confidential.

² See Document 283.

³ These assurances were contained in an October 13 note. (Johnson Library, National Security File, Country File, Vietnam, 5 D (2), Allies Troop Commitments and Other Aid, 1967-1969)

The Malaysians have also sent a note to the Department of State itemizing the assistance they have provided to South Viet-Nam.⁴ Their contribution is considerably greater than was described to you in the meeting with the Finance Minister.

—Over 5,000 Vietnamese officers trained in Malaysia.

—Training of 150 U.S. soldiers in handling Tracker Dogs.

—A rather impressive list of military equipment and weapons given Viet-Nam after the end of the Malaysian insurgency (for example, 641 armored personnel carriers, 56,000 shotguns).

—A creditable amount of civil assistance (transportation equipment, cholera vaccine, and flood relief).

Our Ambassador to Malaysia, Jim Bell, is all revved up to work with the Malaysians on an increased program of training assistance for the Vietnamese. I expect there will be some developments on this within the next month or so.

Secretary Rusk undertook to convey the Prime Minister's assurances to you, and this memorandum is intended to discharge that undertaking.⁵

Walt

⁴This note is dated October 17. (Ibid.)

⁵Rusk informed Ambassador Ong in an October 27 letter that he had conveyed the Prime Minister's assurances.

290. Memorandum of Conversation Between President Johnson and Prime Minister Lee¹

Melbourne, Australia, December 22, 1967.

Prime Minister Lee plunged in by telling the President that he had been in Cambodia to receive an honorary degree at the University; and Sihanouk had converted it into a big affair. At his arrival there were no representatives of Hanoi, NLF, or Communist China. At a banquet

¹Source: National Archives and Records Administration, RG 59, Conference Files, 1966-1972: Lot 68 D 453, CF 253. Secret. Drafted by Rostow. President Johnson and Prime Minister Lee were in Melbourne along with other foreign leaders and officials for the memorial service for Australian Prime Minister Harold Holt who disappeared while swimming at sea on December 17.

he had given a speech which was, for the setting, quite pro-U.S. The representatives of neither Hanoi nor the NLF walked out. At his departure there were representatives of both present at the airfield but not the Chinese.

This related, perhaps, to the fact that Hanoi now proposed to send a commercial delegation to Singapore. There is no longer any significant trade between Hanoi and Singapore because the U.S. has knocked out the cement factory and what they mainly bought from North Vietnam was cement. It is Lee's judgment they are sending this mission for three reasons:

- to demonstrate Hanoi is not Peking;
- to increase their propoganda conversage since Singapore is a good enough distribution point;
- perhaps for long run political purposes.

Lee said that when President Johnson won his election in 1968, Hanoi will talk. He could not prove that statement to anyone; and he was not given to emphatic statements. But he was prepared to stand on it. He sees a softening in Hanoi's general attitude. They could have treated him in Cambodia like a "cocker spaniel of imperialist U.S.;" but they did not. They are leaving avenues open.

President Johnson asked how Prime Minister Lee had enjoyed his trip in the U.S. He said it was an intensive 10 days of education; but not always pleasant. He was shocked by the disloyalty of some of the youth he saw at Berkeley and by the fact they were simply dirty. Returning to his view of Hanoi, he said there would be no change until the U.S. had demonstrated its staying power to Hanoi.

The President said that only 17% of the American people wished to get out of Vietnam; 35% underwrote his moderate policy; but 45% want to do more—use more military force. The question is, assuming Mr. Nixon is nominated, where will the 17% go? To Nixon or to President Johnson? The second question is, will Nixon be able to pick up the whole 45%.

In general, the anti-Vietnam pressure on the President had been diminishing from roughly the time Prime Minister Lee came to the U.S. We have taken some strides in consolidating support.

Lee then observed that he found Senator McCarthy ambitious, rather intelligent, lazy, and interested in making jokes, rather than talking seriously.

The President then went on to describe the present state of Republican politics and the possible role in the campaign of the candidacy of former Governor Wallace. The President described his problem in Vietnam as how to steer between a Bay of Pigs withdrawal, on the one hand, and an avoidance of escalation and widening of the war, on the other.

Lee repeated: If you demonstrate your staying power, they will talk. I stake my credibility on that proposition. I have found that it is always best to speak the truth.

The President said we shall not compromise or trim in looking for an honorable peace.

The meeting ended with the Prime Minister wishing the President well in the 1968 election.

291. **Telegram From the Embassy in Singapore to the Department of State¹**

Singapore, January 3, 1968, 0540Z.

1112. 1. In 1967 some striking changes have been set in motion in Singapore and I thought I would submit the following *résumé* of the more salient of these and meaning as I see it.

2. Announced UK intention to run down its military presence here by half in next three-four years and altogether by mid-1970's. Despite adverse economic impact which loss of British presence threatens to bring, GOS professes not to be so concerned about economic results of British withdrawal (flow of Hong Kong capital, revival of Indonesian trade, success in attracting foreign investment into new Jurong industrial complex and belief they can develop foreign markets make GOS confident they can maintain economic growth, which continued in 1967 above eight percent, and finesse their unemployment problem). GOS most concerned about political and security problems that may develop as British leave. I believe this GOS concern is sound and that if British pull out completely before late 70's, some alternative to British military presence will have to be found if Malaysian-Singaporean stability is not to be endangered.

3. Establishment of diplomatic relations between Indonesia and Singapore and restoration of trade to pre-confrontation level. Resurgence of travel and commerce between Indonesia and Singapore, much of it still unregulated from Indonesia's viewpoint, is boon to both but until greater control of the illegal practices can be implemented between

¹ Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 2 SINGAPORE. Secret; Exdis. Repeated to Canberra, Bangkok, CINCPAC also for POLAD, Djakarta, Hong Kong, Kuala Lumpur, London, Manila, Moscow, New Delhi, Rangoon, Tokyo, Vientiane, and Wellington.

the two countries there is always danger that Indonesian resentment of Singapore and of Chinese who dominate in the trade will again become an Indonesian obsession detrimental to both.

4. Establishment of border crossing control and separate currencies by Malaysia and Singapore. While these additional steps of separation between these formerly federated and still interdependent countries have created some additional impediment to travel and trade, the effect does not seem yet to have been serious. Should a differential develop in the value of the respective currencies negating interchangeability there would be some additional awkwardness but it would not be insurmountable. Coolness between respective governments, especially Prime Ministers, continues, indicative of suspicions with which Tunku and some of his cohorts regard Lee and reflective of Lee's unfortunate tendency to make negative noises (happily not in public in recent months), about Tunku, his government and the Malays. If Malaysian economy should deteriorate seriously and Singapore continue to prosper to point of strikingly invidious comparisons, I would expect relations between two countries to worsen as result.

5. Establishment of trade missions by and expansion of trade and diplomatic relations with Eastern European and other Communist countries. Implementing their credo of trading with all (who will give them acceptable terms), Singapore greatly extended the nexus of relationships with Communist countries in 1967. There is every evidence that GOS is well aware of the political trickery that may lurk behind the exchange, however, and that they are on guard. Because the left wing in Singapore appears to be relatively less disaffected and better disciplined than in Malaysia and because communal relationships here also seem less volatile—hence less exploitable by the Communists—I regard the presence of a Soviet mission in Singapore as potentially far less dangerous than in Kuala Lumpur.

6. Growth of Singapore as buyer of and entrepot for Chinese Communist goods. Partly as result of troubles in Hong Kong, Singapore trade with China expanded markedly in 1967. ChiComs have offered easy credit terms through Bank of China for an ever greater variety of goods at extremely cheap prices and have subsidized rent of outlets. As a result, several new, so-called "emporiums" devoted exclusively to the sale of these goods have been set up and the variety and quantity of food, clothing and other articles offered have found increased demand among Singapore's largely Chinese population. Singapore has also served increasingly as trans-shipment point for these goods to neighboring countries and has emerged as the biggest foreign exchange earner for Communist China next to Hong Kong. Perhaps rationalizing fact that these goods help Singapore hold line on wages, GOS professed not to be worried about potential for blackmail that may lurk in local

dependence on ChiCom made goods. I am worried about long-term effect of this.

7. Further consolidation of Lee's People's Action Party control. The Peking-Lining Barisan Sosialis Party (BSP) abandoned parliamentary and electoral competition and turned to a program of street demonstrations which signally failed to accomplish anything except add to Singapore's prison population. This due in part to curious failure of BSP to address itself to real local issues and in part to effectiveness of Singapore police controls. At same time, GOS crippled BSP allies in the trade union movement by eliminating left wing unions. These developments left PAP power at highest point ever and contributed to its objective of creating "tightly knit" and "rugged" society that Lee sees as essential if Singapore is to survive critical decade ahead. But despite success, Lee remains concerned over increasingly serious unemployment problem and implications for Singapore of possible revival Communist insurgency in Malaysia. Communal strife that broke out in Malaysia in November in wake of controversy over devaluation regarded by GOS as indicative of dangers that lurk among disgruntled elements of Chinese community in Malaysia. They blame GOM for mishandling communal problem but despite these worries and although he has to take care that he does not offend the more China-oriented Chinese in Singapore, Lee strengthened his political control in 1967 and the fate of Singapore, so far as anyone in Singapore can decide it, is very much in his hands.

8. Happier notes in context GOM/GOS relationship emerging in 1967 were: (a) close cooperation at working level by security forces Malaysia and Singapore, especially during riots in Penang, (b) possibly as result of riots and of security problems expected to follow British military pullout, there seems to be renewed realization of interdependence in matters of security by both Malaysian and Singaporean leaders, (c) both sides appear to be thinking in terms of future cooperation, perhaps along with Australia and New Zealand, in defense.

9. Assignment Singapore's first Ambassador to U.S. in March and Prime Minister Lee's visit to U.S. in October. These were only part of growing evidence of greater acceptance and approval of U.S. by GOS in 1967. Although he did some public backtracking upon his return from U.S. visit (revealing, I believe, sensitivity of less assimilated elements among Singapore's Chinese community and of his own only indirect and tenuous personal rapport with them), Lee has continued privately to express his unequivocal support for U.S. defeat of Communist aggression in South Vietnam.

10. Singapore's joining with Thailand, Malaysia, Indonesia and the Philippines to form ASEAN. This was only part, though most important, evidence thus far that Singapore is placing its long-term

bets for survival on regional cooperation with its neighbors. But GOS puts little faith in regionalism as short-term answer to Singapore's economic or security problems or, for that matter, Southeast Asia's.

11. Lee's visit to Cambodia in December, designed partly to burnish his non-aligned image after his forthright statements on Vietnam in the U.S., and partly to try to encourage Sihanouk to look more favorably on regional association. I believe evidence suggests that while Lee's *tete-à-tete* with Sihanouk may have made some superficial contribution to Lee's non-aligned credentials, his divergence with Sihanouk on important issues like U.S. presence in Vietnam and regional association with U.S. allies like Thailand, and Philippines was made more manifest by their exchanges.

12. Dramatic change in Lee's attitude toward U.S. Although Lee Kuan Yew has not entirely given up hope that something will happen to hold some British military presence in Singapore, he is not planning on it. He is aware that Singapore's security as a non-Communist entity depends more and more on presence of U.S. military might in Southeast Asia. Evidence accumulated during year suggests that Lee was toying very much with idea of trying to clear new path that would eventually lead to U.S. assumption *de facto* British protective relationship with Singapore, that he got well out ahead of an important segment of his Cabinet and constituents in this respect, and that he has accordingly revised his estimate of the time required to overcome Chinese antipathy in Singapore to anything, such as alignment with U.S., that would suggest that Singapore is taking sides against China. Lee's remark to me (Singapore tel 1050)² that his generation can prepare the way for a close relationship between the U.S. and Singapore but that it will be the next generation which can implement and realize the full import of it, was revealing in this respect. Although Lee shares some of the ethnic resentment of indignities inflicted by the West on the Chinese nation in the past, his behavior in 1967 suggested strongly that he is in most other respects pro-West in outlook. In some of his public off-record talks in U.S. and in private then and since, Lee has come as close to declaring his personal support for President Johnson as Southeast Asian leader professing non-alignment could be expected to do.

Galbraith

² Dated December 20, 1967. (Ibid., POL 17-4 SINGAPORE)

292. Memorandum From the Assistant Secretary of State for East Asian and Pacific Affairs (Bundy) to President Johnson¹

Washington, December 10, 1968.

SUBJECT

Your Meeting with Lee Kuan Yew

Lee wishes to convey his admiration for your whole conduct of policy in Southeast Asia and also for your personal sacrifice of March 31. He doubtless recalls vividly your meeting with him in Melbourne, at which you reviewed the political prospects with some frankness, told him the Republicans would nominate Mr. Nixon, and pretty clearly hinted that you thought you could beat him. Lee probably agrees.

No doubt he would again be fascinated by a frank personal forecast of how the Nixon Administration, and above all, the American public will be looking at Southeast Asia in the next few years. He thinks—and probably rightly—his own life and future depend on that judgment. Past experience should give you confidence that he will keep what you say wholly to himself.

More specifically, the British decision to pull out of Malaysia and Singapore after the end of 1971 came after your Melbourne meeting, and has preoccupied him all through the year. He thinks, as we do, that a clear Australian stand, including the willingness to keep limited ground forces in the area, is the key to post-1971 security for him. And he is as baffled and dubious about Prime Minister Gorton as we are. I probed him at length on this when I saw him in Cambridge two weeks ago, and he came up with one interesting thought—that a continuing American military presence in Thailand would go very far to convince Gorton that he had to do his share in Malaysia and Singapore. The latest we ourselves have on this is that the Australians have made a general decision for a "forward strategy" rather than a "Fortress Australia" view; however, this appears to be very general, and he would

¹Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL SINGAPORE-US. Secret; Eyes Only. Lee Kuan Yew was on a 2-month unofficial vacation/sabbatical in Canada and the United States from mid-October to mid-December. Rusk recommended that, as a matter of courtesy and gratitude for Lee's support on Vietnam, the President see him. (Memorandum from Rusk to Johnson, December 4; *ibid.*, POL 7 SINGAPORE) Rostow also sent the President a briefing memorandum based on this memorandum by Bundy. Rostow suggested that Johnson should congratulate Lee on the economic success of Singapore and the increased American investment there and tell him that U.S. military forces were beginning to use Singapore's repair facilities on a commercial basis. (Memorandum from Rostow to Johnson, December 10; Johnson Library, National Security File, Country File, Singapore, Vol. II, 8/67-12/68)

doubtless welcome a frank exchange on what goes on in Gorton's mind—as if anybody knew.

Another possible topic might be the future of ASEAN in view of the spat between Malaysia and the Philippines over Sabah. Again, his thinking is like ours—that Marcos has made a fool of himself—and his government has expressed blunt support of Malaysia's position. The question is how to get Marcos off the hook and who can help.

In general, Singapore under Lee is continuing to do a superb job, and in the past year has scored some outstanding successes in attracting American investment. He thinks this is fine, and is also most anxious to have our Navy and Air Force use his repair facilities on a commercial basis. We have started this, and it is going satisfactorily.

You should know of one minor issue, although I doubt very much that he would raise it. Singapore (and the Philippines as well) wants a license to manufacture the AR-15 rifle—the commercial version of the M-16. Secretary Clifford has reservations about this, and we have not come to any decision. In the remote event he raises this, I believe you should be sympathetic but noncommittal.

On my observation and by all other accounts, Lee is in a relaxed and forthcoming mood. He should be good value.

On press handling, Lee understands that his call is being made public. However, he would strongly prefer *not* to be exposed to the press for the purpose of making any remarks. This is in line with his unofficial status, which he has observed with the greatest care in the month he has been here.

William P. Bundy

293. Editorial Note

Prime Minister Lee Kuan Yew met with President Johnson on December 10, 1968, from 5:25 to 6 p.m. with William Bundy and Malaysian Ambassador Ong present. William Bundy sent Ambassador Galbraith a personal and eyes only letter, December 12, describing the conversation. Bundy's account reads as follows:

"In the talk with the President, Ong and I were also present, although I had thought the President would wish to see him dead alone. The talk started a little slowly, but finally became quite relaxed and the President engaged in a considerable amount of personal reflection and reminiscences *but also in some serious questioning* of Lee about Singapore and Southeast Asia. Lee readily handled his end beautifully, with just the

right amount of sincere praise for the President's guts and determination, and a very frank and clear statement of how vital our sticking in Vietnam remained in his judgment. He also threw in some useful comments on Gorton and, for good measure, on Sihanouk—to the general effect that the latter readily depended on us just as much as everyone else in the area, even though he would hardly show it.

"However, I must tell you in the utmost confidence that some of the President's remarks may have left an unfortunate impression about the firmness and resolve of the new Administration. The President said that he had no doubt whatsoever of Mr. Nixon's personal views and intentions, but he then went on to say that he doubted very much that Mr. Nixon would stand up to the 'soft' advice he would get from the new Secretary of State, Rogers, from Laird, and in general from the 'soft liberals.' The net impression can well have been that Mr. Nixon would end up doing just about anything to get out of Vietnam on any terms at all, and that his standing in Southeast Asia was open to grave doubt. Quite frankly my own impression was that the President was indulging in the kind of disparagement of any successor that I have sometimes heard—in similar periods—from other senior officials. There was a good deal of the tone of 'I am a giant, and these men are pygmies.' It may or may not turn out to be true, but I am not sure that Lee discounted it to the extent that I personally would do as of now.

"Into the bargain, the President made some very uncomplimentary remarks about Mr. Humphrey's campaign speeches on the bombing, and this too may have left the impression that Mr. Humphrey and the dominant wing of the Democratic Party were ready to pull the plug in Southeast Asia. I injected myself once or twice to demur on this, but I doubt if I countered the impression the President was leaving. Nor do I think I was able to do so afterward—by further corrective efforts—believing as I do that Mr. Humphrey would in the end be at least as firm as Mr. Nixon, and that both would stand up to a considerable degree to the kinds of pressures that anyone can see.

"The point, of course, is that Lee may well be putting together his Harvard experience and what the President told him, into a very gloomy forecast indeed of future American intentions in Southeast Asia—and this is the serious possibility that warrants my telling you what was said.

"However, as I write this, there is one card left to be played, and that is his talk with Kissinger tomorrow. I myself am seeing Kissinger on other matters tonight, and will tell him quite frankly that he has a job to do—although I would not suggest that he give any flat assurances." (Department of State, Bundy Files: Lot 85 D 240, Private Correspondence with Ambassadors)

No record of Kissinger's conversation with Lee has been found.