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WAR OF 1939-45

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Policy of Civil Administration for the information
and guidance of the Military upon the
liberation of Sarawak North Borneo, Brunei and
Labuan May 1945.

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DL "A"
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DL SEC
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AG O14.1 (9 May 45)A

LEGAL

SUBJECT: Civil Administration in British Borneo.

PRO

TO: ~~MEMORANDUM~~ General Officer Commanding, I Australian Corps.

(Civil Affairs)
SECRET

GENERAL HEADQUARTERS
SOUTHWEST PACIFIC AREA

A.D.V. L.H.Q.
~~File~~ File ~~1012~~ 1012

APR 1945
APO 500
Survey 9 May 1945
War commenced in 1951.
Adm. L.H.Q.
Provisional Classification No. 1012

1. In accordance with the policy of the Combined Chiefs of Staff, His Majesty's Government in the United Kingdom has formulated a policy on civil administration for the information and guidance of the military upon the liberation of Sarawak, North Borneo, Brunei and Labuan. A copy of the statement is attached (Incl. 1).
2. It is desired that your administration of Civil Affairs in the territories mentioned above conform thereto.
3. Direct communication between the Chief Civil Affairs Officer, British Borneo and His Majesty's Government in London, requested by paragraph 1, f., of the Inclosure, is approved provided that this headquarters is kept advised of the nature of any such communications.
4. This headquarters has been advised that the supplies referred to in paragraph 1, h., of the Inclosure are to be called forward by requisition of His Majesty's Government, which Government will be responsible for the furnishing thereof. To the extent that His Majesty's Government is unable to furnish such supplies as are necessary to prevent civilian disease and unrest which would interfere with the accomplishment of your military mission, the Commander, Allied Land Forces, is authorized to requisition for such supplies upon the Commanding General, USASOS. His Majesty's Government has agreed to reimburse the United States for any such supplies.

For the Commander-in-Chief:

E. M. Fitch
E. M. FITCH,
Brigadier General, U. S. Army,
Adjutant General.

1 Incl: Civil Affairs Policy for
British Borneo.

*Issued in lieu of Annex 7 to GHQ Operations
Instruction 103 dated 3 May 45.
One copy held on file 5027.02 "Civil Administration
British Borneo".*

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SECRET

Adm. L.H.Q.

923-1-B2 BORNEO.

S E C R E T

BASIC: Ltr, GHQ SWPA APO 500, file AG 014.1 (9 May 45)A, dtd 9 May 1945,
subject: "Civil Affairs in British Borneo", to Gen Officer,
Cmdg, I Australian Corps.

DISTRIBUTION:

Chief of Staff, US Army, Washington DC (8)(c/o OPD)
Commander-in-Chief PACIFIC OCEAN Areas (5) (ADV HQ -3)
Commander ALLIED LAND Forces, Morotai (7)
Commander ALLIED LAND Forces, Luzon (4)
Commanding General SIXTH US Army (5)
General Officer Commanding FIRST AUSTRALIAN Army
Commanding General EIGHTH US Army (5)
General Officer Commanding, I AUSTRALIAN Corps (15)
Commander ALLIED NAVAL Forces, Tolosa (15)
Commander ALLIED AIR Forces, Luzon (10)
Commander SEVENTH AMPHIBIOUS Force
Commanding General USAFFE (3)
Commanding General USASOS (10)
Coordinator MOROTAI
Staff GHQ

0202
MAY 11 1945
RECEIVED
COMMUNICATIONS SECTION

I. STATEMENT OF THE CIVIL AFFAIRS POLICY OF
HIS MAJESTY'S GOVERNMENT FOR BRITISH BORNEO

1. Paragraph 6 of the charter of the Combined Civil Affairs Committee lays it down that the formulation of policies for the handling of civil affairs in territories previously under the authority of one or other of the governments represented on the committee, shall be entrusted to that government. The United Kingdom Government has accordingly formulated a policy for the handling of civil affairs in British Borneo, the main features of which are contained in the following paragraphs.

a. Prior to the Japanese invasion, the territories of Borneo having a special British connection consisted of the States of Sarawak, North Borneo and Brunei, and the colonial territory of Labuan. Sarawak was governed by a white Rajah, Sir Charles Vyner Brooke, and the administrative service of the country was recruited through the Sarawak Government Agent in London. Sarawak was a free and independent state in whose internal affairs His Majesty's Government did not interfere, but the state enjoyed British protection, and His Majesty's Government was responsible for the conduct of its foreign relations. The internal and international status of North Borneo was the same as that of Sarawak. The territory was governed by a chartered company incorporated in London (the British North Borneo (Chartered) Company), which was responsible for the recruitment and conduct of the administration. Brunei was nominally governed as an independent state by the Malay Sultan, but he was assisted by a British Resident, who was always a member of the Malayan Civil Service. Labuan, a small island off the coast of North Borneo, was administered as part of the Colony of the Straits Settlements, under the authority of the Governor of the Colony at Singapore.

b. For the purposes of military administration, these territories of North Borneo, Sarawak, Brunei and Labuan should be treated as a single territory to be known as British Borneo. The future relations of these territories with each other and the United Kingdom will be the responsibility of His Majesty's Government in the United Kingdom.

c. Those portions of British Borneo occupied by Allied forces should be brought under military administration. To this end, such powers should be assumed by proclamation as are necessary for the administration of the liberated territories. The powers and jurisdiction of all existing courts and tribunals should be suspended and in their place military courts should be set up which will derive their authority from proclamations and (pending the reinstatement of indigenous courts) deal with all offences committed by the civil population. Such courts should administer the indigenous laws modified or supplemented by proclamation as may be necessary for the security of the liberating forces and the maintenance of order.

Inclosure to letter of instructions,
GHQ, to Gen. Officer Commanding I
Australian Corps, dated 10 May 1945.

Civil Affairs Policy for British Borneo, (cont'd)

d. Until it becomes possible, having regard to such military requirements, in the whole, or in part, of British Borneo, for civil administration to be re-established, civil affairs should be under a military administration deriving its authority from the Allied Commander-in-Chief.

Recommendations should be made when conditions enable civil administration to be transferred to the civil authorities.

e. In order to assist the Commander-in-Chief, U.S. Army Forces, Pacific (CINCPAC) (or the military commander designated by him) to carry out the military administration in accordance with the policy of His Majesty's Government, a Chief Civil Affairs Officer, British Borneo, with a nucleus staff of British officers, has been made available and plans have been made for additions to the staff as may be required. These civil affairs officers, so far as possible have been drawn from the officials of the Governments of North Borneo, Sarawak and other British colonies and from other personnel who know the country and the people. It is desired that the administration of the territory during the military period should be entrusted to the above-mentioned British Chief Civil Affairs Officer, subject to the general directions of the military commander.

f. It is intended that the Chief Civil Affairs Officer, British Borneo, should also give such advice as may be necessary concerning His Majesty's Government's long-term plans for reconstruction, in order that, as far as possible, the measures of the military administration may be co-ordinated therewith. He should, at the discretion of CINCPAC, while keeping the latter, or the military commander designated by him, informed, be authorized to communicate direct with London on questions which do not affect CINCPAC's responsibilities for the military administration of British Borneo.

g. United States, British and the appropriate state flags should be displayed at the headquarters and posts of the military administration.

h. It is desired that CINCPAC should ensure the provision of supplies, including technical equipment, for the needs of the civil population and for local industries and agriculture to an extent necessary to prevent disease and unrest and to secure maximum assistance for the war effort.

i. Relief supplies should be distributed by civil affairs staff as far as possible through normal channels of distribution. The necessary control over distribution and prices should be exercised.

j. Regulations should be enforced to safeguard the health of the population, to prevent hoarding and to control the black market, and the marketing and production of essential civilian supplies should be stimulated in order to reduce imports.

k. Such assistance to the civilian population should be rendered as is consistent with the needs of military operations in order to enable them to reestablish the economy of their country and to produce supplies needed for the Allied war effort.

Civil Affairs Policy for British Borneo, (cont'd)

1. The cost of the civil affairs administration will be the responsibility of His Majesty's Government. A detailed instruction for the British officer concerned is in Section "II" below.

II. FINANCIAL, CURRENCY, BANKING AND ACCOUNTING
GUIDE FOR THE CHIEF CIVIL AFFAIRS OFFICER

1. Financial.

a. You will, on behalf of the War Office, control and direct all receipts and disbursements by the military government.

b. You will bring under single control the finance and accounts of British North Borneo, Sarawak, Labuan and Brunei, but for the purpose of internal control you should, if possible, divide the territory into two areas:-

- (1) North Borneo, Labuan, Brunei;
- (2) Sarawak.

Budgetary control should be introduced as soon as possible and budget estimates submitted to the War Office for all four territories separately.

c. You should establish treasuries where required.

d. You should bring into force an export and import licensing system and, where necessary to maintain price levels or to secure the fair distribution of goods and services, you will control wages, prices, the cost of services, stocks and movement of goods.

e. Subject to clauses f. and g., you will restore by proclamation the fiscal laws of the territories operative before Japanese occupation and will enforce them as soon as possible. Payment to the enemy of government dues relating to the periods both before and during Japanese occupation should be accepted as valid discharge. As far as possible, you should endeavour to collect sums due in respect of the period of the Japanese occupation as well as for the period prior to that.

f. You should restore the former customs tariff in Sarawak and should bring those of Brunei and Labuan into line with those of British North Borneo.

g. The government opium monopolies should not be restored.

h. Any arrears of emoluments or pensions due to serving or retired members of the government service should be recognised, on condition of loyal and proper behavior in each case, and reasonable advances on account of sums due should be paid in such cases.

Civil Affairs Policy for British Borneo, (con't)

i. You should pay any claims against the governments of the four territories in respect of the period prior to their occupation by the Japanese, which you are able to verify, except claims for war damage, within a limit in each case of 1,000 pounds. Claims which cannot be verified, as well as all those in respect of war damage prior to, or during, the occupation, should be recorded for action at a later date in accordance with instructions to be given by His Majesty's Government.

j. You should guard against inflation. Consideration should be given to the possibility of increasing taxation and proposals should be submitted to the War Office.

2. Currency.

a. New Malayan notes and coin together with British North Borneo and Sarawak coin are being made available for the use of the Allied forces in Borneo. A proclamation should be published making such currency legal tender on a par with North Borneo Government, Sarawak Government, and old Malayan notes and coin found in the country; but excepting Malayan notes of \$1,000 and \$10,000 which should not be legal tender currency and which the holders should be instructed to deposit with your administration for investigation as to the source of supply. Should such investigation reveal that they were lawfully obtained, you should give to the holder legal currency in exchange.

b. Notes of all denominations of the old Malayan, North Borneo and Sarawak issues should not be reissued after acceptance by the military administration. In this way it is intended to secure a gradual withdrawal of the old notes without the difficulties of a special exchange. North Borneo and Sarawak coin should continue to circulate and should not be withdrawn.

c. (1) It must be assumed that Japanese notes have, owing to the lapse of time, become general currency, at any rate in towns. You should, therefore, accept them from individuals, including, at your discretion, any small one-man firms and companies to whom you think it reasonable that the concession should be made, in payment both for relief supplies and government dues of any kind. For this purpose an exchange rate of _____ to _____ should be adopted initially subject to alteration downwards without notice. Notes of larger denominations than ten dollars, ten yen or ten guilders should not be accepted for any purpose; no Japanese notes should be declared by you to be legal tender.

(2) Holders of Japanese notes should, as soon as arrangements can be made, be given an opportunity to deposit their holdings with you subject to subsequent decision by His Majesty's Government as to treatment, on the clear understanding that this does not imply that any value will subsequently be received for them.

Civil Affairs Policy for British Borneo, (cont'd)

- (3) The above policy is designed to meet the first exigencies of military occupation. It will be for decision later whether Japanese notes are to be exchanged for legal currency or are from a given date no longer to be accepted in payment for relief or for any other purpose.

d. You should prohibit the export and import of any currency except that under license.

e. You may at your discretion pay over to authorized banks necessary supplies of Malayan currency for their business, such amounts to be covered by payments by the banks to the War Office in sterling in London.

3. Banking.

a. On the liberation of the territories they will automatically be restored to the Sterling Area. Defense (finance) regulations, trading with the enemy legislation and exchange control should be introduced so as to ensure conformity with the Sterling Area requirements.

b. Immediately upon re-occupation, you should declare a general moratorium and should close all banks and financial institutions. The general moratorium should be lifted as soon as practically possible provided you are satisfied that the requisite means of payment exist to permit discharge of debt.

c. As soon as possible you will scrutinize the accounts and open any vaults and safe deposit boxes and you will:-

- (1) Impound the assets of enemy government agencies;
 - (2) block for scrutiny and where appropriate, e.g., in the case of those residing in enemy territory, hand to the Custodian of Property, the assets of enemy nationals. Reasonable maintenance withdrawals should, however, be allowed to those who are present;
 - (3) block for future consideration the assets of persons and concerns suspected to have cooperated with the enemy;
 - (4) block for future consideration any assets which you suspect to have accrued from cooperation with the enemy;
 - (5) block for future consideration any assets which are suspected to have been acquired by looting;
 - (6) determine to what extent the banks and financial institutions are solvent.
- d. (1) Subject to the two preceding paragraphs and under your overriding control you will as soon as possible, reopen such banking and financial institutions as you consider to be required for the internal needs of the territory and are in a position to meet their liabilities. As soon as the need arises you will consult the War Office with a view to providing external remittance facilities.

Civil Affairs Policy for British Borneo, (cont'd)

- (2) Old accounts may be operated if not blocked under paragraphs (a.), (b.), and (c.) above.
- (3) Unblocked assets may be withdrawn from vaults and safe deposit boxes.

e. No transfer of stocks and shares will be valid without your authority. The validity of transfer during occupation by the enemy is a matter to be determined by the courts in due course.

f. Withdrawals from old Post Office Savings bank accounts will not be permitted until a postal organization to cater to civil needs has been re-established and then only on specific directions from the War Office. New deposits will not be accepted against old accounts and as soon as possible you will make arrangements for the opening of new accounts.

g. Where banking arrangements are not available you should as soon as possible, give all proper facilities for internal remittances between treasures.

4. Accounting.

a. You will render to the War Office a quarterly consolidated account covering all four territories, but so far as is possible, separate accounts should be kept for each territory. Detailed accounting instructions will be given to you separately.

III. CIVIL AFFAIRS POLICY DIRECTIVE ON DANGEROUS DRUGS

1. The pre-war measures, based on International Conventions of 1912, 1925, and 1931, for control of stocks, importation, production, distribution, sale, possession and use of dangerous drugs should be restored as soon as possible.

2. As soon as practicable, the Chief Civil Affairs Officer should arrange to furnish, through the appropriate channels, quarterly returns to the Permanent Central Opium Board of:

a. quantities of each of the drugs or raw materials imported or exported during the preceding quarter, indicating source of imports and destination of exports;

b. the amounts of each drug manufactured during the quarter; and

c. the amounts released for civilian requirements and stocks in hand at the end of the quarter (existing form in use under conventions to be used as far as possible).

3. The legislation in operation prior to the Japanese war should be amended as may be necessary to give effect to the statement of policy made by His Majesty's Government on November 10, 1943, announcing the total prohibition of opium smoking in British protected territories in the Far East which are now in enemy occupation.

Civil Affairs Policy for British Borneo, (cont'd)

4. Steps should be taken to enforce this policy rigorously. In particular all opium shops and opium smoking dens should be closed, and all stocks of narcotic drugs, other than those intended for medical and scientific purposes should be seized.

5. Since prohibition of opium smoking may result in addiction to more deleterious form of drugs (such as heroin), the enforcement of the measures of control referred to in paragraph 1. will call for even greater vigilance than formerly.

6. Steps should be taken as soon as practicable to review and extend measures which were intended to create a strong public opinion against opium smoking.

7. Steps should be taken to reestablish and extend facilities for the treatment of drug addicts.

