Economic Opportunity and Strategic Dilemma in Colonial Development: Britain, Japan and Malaya's Iron Ore, 1920s to 1950s (accepted for publication in *The International History Review*)

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Abstract:

The importance of Malaya's iron ore has been downgraded from both an economic and geo-strategic perspective. Under colonial administration, iron ore mines owned and operated by Japanese enterprises and individuals, and the resultant exports to Japan, were central to economic development in the east-coast states of the peninsula. But this also made British Malaya a site of international contestation as Anglo-Japanese relations became estranged in the run up to World War Two in Asia and the Pacific. British administrators had to balance economic opportunity with strategic cost, and securing iron ore was a key factor in Japan's occupation of Malaya after December 1941. Pre-war dilemmas resurfaced after the Pacific War. Nevertheless, exports to Japan both resumed and expanded. The combination of Japanese regeneration and Southeast Asian development in the context of the Cold War once again placed Malaya's iron ore at the centre of geo-strategic and economic priorities for what was fast becoming the terminal colonial regime. This analysis is supported by the wide range of primary sources consulted from the records of the Malayan state administrations to British intelligence assessments, as well as the evaluation of quantitative data.

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The 'Land flowing with Milk and Honey', the 'Golden Chersonese', and the 'Lucky Country' are well-known epithets attributed to twentieth-century Malaya (today's peninsular or West Malaysia) given the peninsula's abundant supplies of rubber, tin and palm oil. Less appreciated is that the Malay States were significant producers of iron ore from the 1920s to the 1970s, and iron mining was a major contributor to economic growth in the poorer east coast. Because these mines were initially exploited by Japanese capital and personnel (largely for consumption in Japan), this article demonstrates that Malaya became a site of international contestation as Anglo-Japanese estrangement intensified during the 1930s. Iron ore played a central role in the plans for Japan's occupation of Southeast Asia after 1941. Moreover, despite the British colonial administration carefully controlling Japanese participation in iron mining after World War Two, Malaya achieved a new strategic importance as a non-communist source of a key raw material for the reconstruction of Japan in the context of the Asian Cold War.

In their colonial responsibilities for the Malay Peninsula, British officials (on the spot and in London) balanced economic opportunity with strategic dilemma in the growth of iron-ore mining (both before and after the Pacific War). In unravelling that complex interplay, this article challenges the existing historiography which has downgraded iron ore in Malaya's economic and international history. Drabble's survey of Malaysia's modern economy, for example, devotes only two paragraphs to the industry, dismissing it as lacking in 'prime importance'.[1] This overlooks the significance of wealth generation for the east coast, and the growing dependence of

Japan upon these resources. Kratoska's study of the Japanese Occupation underplays the strategic importance of iron ore, and mistakenly classifies Malaya's metal as 'low grade' (and hence of limited value).[2] For the post-1945 period, Rotter's study of the 'triangular' origins of Washington's containment policy in Southeast Asia focuses on Malaya's value as a US dollar earner from rubber and tin for British recovery rather than the peninsula's position as a supplier of raw materials for anti-communist, intra-Asian rejuvenation.[3]

Business and international historians have resurrected the role of strategic raw materials, especially metals, in twentieth-century diplomacy and global conflict. This has extended to the Cold War era, and the growing interest of the US in the supply potential of the decolonising developing world.[4] Nevertheless, Malaya's iron ore has not received attention in this literature. Brown's brief discussion is set within the parameters of the business history of Southeast Asia, and does not consider iron ore as a strategic metal.[5] Yuen and Tomaru focus on the pre- and post-war period respectively and consideration of the subtle continuities between the two eras is therefore lacking in both their works.[6] This article is also a considerable development on the existing literature because of the wide range of previously un-mined sources employed. For example, Tomaru did not use the records of the state and federal governments in Malaysia (which have been extensively drawn upon in the present study). Meanwhile, Aldrich and Best, in their studies of British intelligence in the run up to the Pacific War, could not link Japanese espionage and Malayan iron mining, and the interplay of economic and strategic issues in the mid-

1930s, because they did not have access to recently-declassified security service papers at the UK's National Archives.[7] As such, the originality of this article is further enhanced by going beyond a 'domestic' history of Malaya's iron ore through addressing the wider, transnational economic and geo-political factors in the industry's development.

The hidden abundance and importance of Malayan iron ore

Before considering the strategic dilemma that confronted Britain in the 1930s, the article begins by assessing the growth and significance of iron mining for both Malaya's and Japan's economic development. The dominance of tin has obscured the significance of iron-ore extraction in Malayan mining.[8] Iron ore accounted for six per cent of the value obtained from tin before World War Two.[9] Yet, iron-ore exploitation was a critical source of revenue in the states of Johor, Terengganu and Kelantan which, with Kedah and Perlis, made up the Unfederated Malay States (UMS). These were the sultanates which maintained a higher degree of autonomy and only accepted British advisers in the early-twentieth century. Perak, Selangor, Negeri Sembilan and Pahang, where plantation agriculture and tin-mining concentrated, were brought together as the Federated Malay States (FMS) in 1896. The UMS, like the FMS, were 'protected states', ceding authority to Britain in external and defence matters and treaty-bound to accept British 'advice'. But the UMS stayed outside the federal structure. Only in the FMS was there a centralised administration overseen by British officials in Kuala Lumpur. Even there, however, the individual states retained considerable autonomy in local affairs. British direct rule existed only in the crown colonies of Penang, Melaka and Singapore, collectively governed as the Straits Settlements (SS).

In the loosely-controlled UMS, the export of iron ore was the second biggest source of income for Johor by 1931, and the top earner for Terengganu in 1934. Income from iron ore comfortably surpassed earnings from tin and gold in Kelantan by 1937, providing 17 per cent of the state's revenue.[10] In the absence of a central budget for British-protected Malaya, public spending in the UMS was dependent upon locally-imposed fees for concessions, leasehold payments, and royalties on exports. Revenue and expenditure was significantly lower (between a quarter and one-third) in the peasant-based economies of Kedah, Kelantan and Terengganu compared with the richer FMS and SS.[11] Even in Johor, with extensive rubber plantations, iron mining was regarded very favourably by state administrators. The Japanese mining company, Ishihara Sangyo Koshi (ISK), was allowed to open a port at the mouth of the Batu Pahat River. Bypassing Singapore, this harnessed extra export revenue for Johor through direct shipments to Japan. Within its first year of operation after 1921, export duty from ISK's venture netted Johor over M$73,000.[12] Symbolically, the mine's name was changed from Batu Medan to Sri Medan (from 'stone field' to 'splendid field').[13] Rates of around 10 per cent ad valorem (40 to 50 cents per ton) were charged on iron ore exports by the early-1930s.[14] A Colonial Office (CO) mandarin appreciated that these duties were not 'at all low'. Tin exports were charged just 6 per cent ad valorem in the FMS. The UMS administrations were getting a good screw out of the Japanese.[15] '[A]nticipating great returns' in

November 1935, Kelantan's British Adviser 'made explicitly clear to his subordinates that no obstruction should be placed in the way of the Japanese and that every co-operation should be given to them'.[16] On the opening of the Temangan mine in 1937, a District Officer raved that 'a vista of mining wealth... may well bring Kelantan to a foremost position among the Malay States'.[17] On top of export duties, there was the bounty from the indirect revenues through levies on ships, lighters, tugs, and petrol plus tobacco and liquor consumed by the 'coolies'.[18]

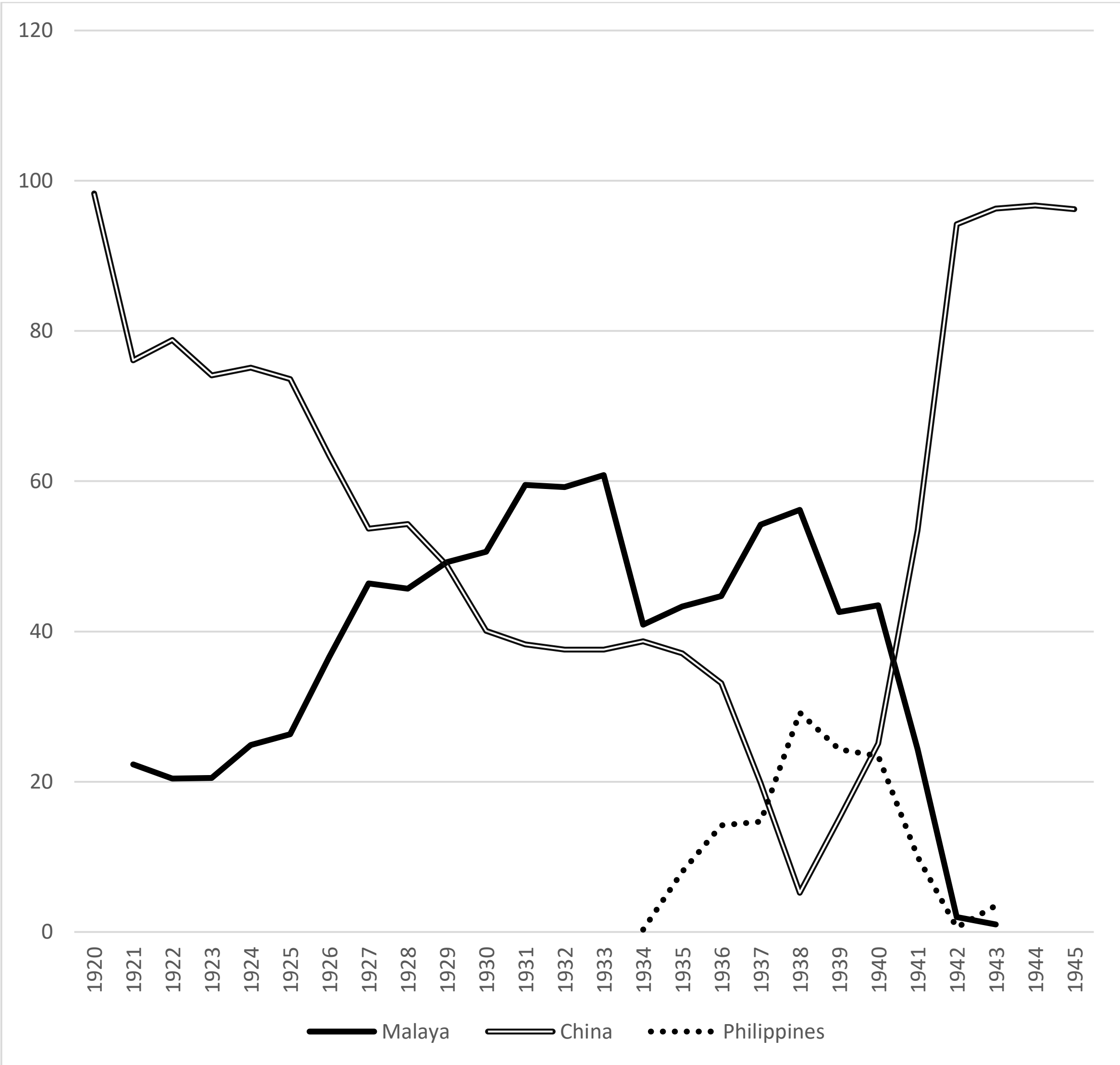
There were also far-reaching employment benefits. The Bukit Besi mining complex in Terengganu employed over 4,800 labourers by 1938, while the workforce numbered nearly 1,000 at Kemaman (also in Terengganu). At the end of 1940, there were over 650 workers at the Temangan mine in Kelantan.[19] Malay coconut farmers on the West Johor coastline, facing declining yields during the 1930s, found recompense in employment in the iron and bauxite mines, 'on the back of rising mineral extraction (and mining wages)'.[20] Labour was also required to construct roads, railways and ports. Additional to this transport infrastructure, the mines provided a modern social nexus of schools, hospitals and housing.[21] Viewed through the lens of the UMS, rather than the peninsula as a whole, the significance of iron-ore mining is greatly magnified.

Why was it left to Japanese entrepreneurs to develop the industry? The UMS lacked British investment, which focussed on the western Malay states and upon rubber and tin. The latter used a different technology - dredging rather than quarrying, open-cast and underground mining in the case of iron.[22] Iron-mining passed under Britain's radar because the Japanese were not in direct competition with vested imperial interests.[23] Nor could British enterprises find a domestic or Empire-Commonwealth market for Malaya's iron, primarily because of uneconomic shipping costs and also because the UK iron and steel industry had a plentiful supply of high-grade ore, supplemented by pig iron from India. Nor was processing 'on the spot' practicable, given a lack of coking coal, and a disinclination in colonial policy to encourage manufacturing for fear of denying home industries markets, and affecting hard-currency earnings from primary production.[24] Through piggy-backing on Japanese business networks, British Malaya gained directly from tax revenues and indirectly through economic development without investment risks, capital outlay, or marketing headaches.

Powerful 'pull' factors drew Japanese enterprises to Malaya's iron ore. Relative to Japan's poor finds in its colonial and semi-colonial stakes in Korea, Taiwan and Manchuria, and the resource-poor home economy, Malaya's iron-ore grading was high.[25] The Batu Medan discovery received a glowing endorsement from a Japanese engineer in March 1920: the ore was of 'excellent quality', and 'an equal source could hardly be found elsewhere'.[26] The head of the FMS Geological Survey concluded in 1933 that Johor's iron ore was of 'the very first quality' with bulk-assays of haematite revealing 64 per cent metallic iron.[27] The limonite at Temangan was less impressive with 50-54 per cent iron content.[28] But Terengganu's ore was rated 'first class' after the Second World War by British experts.[29] A study of the peninsula's geography in the early-1960s reported that the percentage of iron content in Malaya's ores varied from 50 in the case of Kedah to 68 for Perak. The largest known deposits at Rompin in Pahang contained 56-66 per cent Fe content, confirming pre-war surveys which believed the majority of the ore to be 'high grade'.[30] Under contemporary grading systems, this would place Malaya's ore in a variety of bands: 52-58 per cent Fe is 'low'; 62-63.5 per cent 'medium'; 65 per cent or above 'high'.[31] Malaya's iron ore was hardly the last resort that Kratoska suggested.

Moreover, iron mining in Malaya 'followed closely the development of Japan's steel industry', which more than doubled in size during the 1930s.[32] Reliance on home production would have been foolhardy since, at 1930s consumption levels, all Japan's iron ore reserves were expected to be depleted within fifty years. Estimates of Japan's domestic iron ore reserves varied from 40 to 80 million tons, where 'even the higher figure [was] equal to little more than the amount of ore actually mined in the United States in a single year'.[33] To protect domestic iron-ore reserves which, in the face of an international crisis would become even more crucial, 80 per cent of Japan's domestic mining concerns were under conservation by 1936 and the country imported more than six and half times the iron mined at home.[34] China had been Japan's first overseas call for iron ore. But, with the opening of mines in the UMS, Malaya superseded China as Japan's number one supplier by the early-1930s when the peninsula was providing 60 per cent of Japan's requirements (See Figure 1).

Figure 1: Imports of Iron Ore from Malaya, China and Philippines to Japan by percentage of total



Source: Bunji, *Steel*, 3, Table 1; Erselcuk, 'Iron and Steel', 114-5; Tomaru, *Rapprochement*, 26.

The decline in supply from China was partly due to political and financial instability. Additionally, iron-ore shipment was cheaper from Malaya because of the lower ocean-going shipping costs compared with overland transport from the

Chinese interior.[35] As early as 1928, just one mine in Johor was furnishing 40 per cent of the total ferrous raw materials consumed by Japan.[36]

Four firms came to dominate Malayan iron-ore production from the 1920s. ISK was the pioneer in Johor, followed by exploitation at Kemaman in Terengganu from 1928. The Nippon Kogyo Koshi (NKK; the Nippon Mining Company) entered soon after. From 1930, NKK's Bukit Besi mine became the most productive of all Malaya's iron-ore outlets. By 1933, Bukit Besi employed a Japanese technical and managerial staff of 60. The mine reached a production level of over 1.1 million tons in 1937.[37] Tekko KK (in Johor and Kelantan) and Kokan Kogyo (Southern Mining Company in Kelantan) were the other major players. Smaller mining concerns existed (in Kedah and Perak for example). These were 'almost without exception' affiliated to Japanese enterprises.[38] On top of vicinity to Japan, vis-à-vis supplies from Europe, North America and India, and comparatively low production costs, economies were also reaped for these companies through bringing coal to Malaya in Japanese ships which returned home loaded with ore. This, combined with Japanese ownership of the mines, made it unnecessary to expend foreign exchange as was the case with Japan's tin and rubber purchases.[39] Another bonus for the Japanese miners was large quantities of manganese, also of 'first class importance in the manufacture of steel' and 'very little' being 'mined in Japan proper', found close to the Kelantan and Terengganu iron mines.[40] Between 1934 and 1938 alone, Malaya's manganese exports increased nearly 42 per cent from 18,650 to 31,970 tons.[41]

Given these geo-strategic and financial benefits, Japanese mining interests in Malaya enjoyed close links with government, financial institutions, and shipping and steel interests in Japan. After the discovery of the Batu Medan mine, ISK worked in tandem with the Yawata steel works in Kyushu. Government-run to 1934 (and heavily influenced by the Japanese state thereafter), Yawata rewarded the Ishihara brothers with an exclusive contract to supply iron ore for its blast furnaces (which produced over half of Japan's domestic pig-iron and steel output from its inception in 1901 through to the 1930s).[42] Likewise, NKK, a subsidiary of Tokyo's 'wealthy and powerful' Kuhara Mining Company, had the 'whole' of its output from Bukit Besi 'absorbed by the Yawata works'.[43] Although ISK developed its own steamship fleet, in the early years vessels were chartered from Yamashita and Mitsubishi (which the Special Branch of the police in Singapore called the 'foster-parents' of ISK).[44] It was also believed by the security services that ISK's chief executive, Ishihara Hirochiro, secured loans from the Japanese government through his connections with the Seiyukai party, which favoured the interests of big business and state involvement in industry. The Kawasaki Dockyards and the government-owned Bank of Taiwan backed ISK financially.[45] Kokan Kogyo, with a capital of one million yen floated in Tokyo, was a subsidiary of Japan Steel Tubing, which held 80 per cent of the mining company's equity.[46] Malayan iron-mining concerns were integral, therefore, to a business and government network as 'part of [Japan's] clear strategy of reducing dependence on the world market for essential imports, substituting through Japanese private enterprise overseas'.[47] For Special Branch, the 'great financial success' of the Ishihara enterprises was 'doubtless with the aid of large subsidies from the Japanese Government'. Back in 1917, the Japanese individual who obtained the lease that would become the Bukit Besi mine was believed to be 'an agent of the Japanese Government'.[48]

A symbiosis developed between British colonialism and Japanese industrialisation through Malaya's iron ore. The revenues of the UMS increased and infrastructure was developed, labour found regular employment, Japanese industry sourced raw materials and the mining entrepreneurs enjoyed good returns. Yet, by the 1930s, economic opportunity was accompanied by a strategic dilemma in this reciprocal dependence. Britain found itself between a rock and a hard place. The strategic raw material was vital for the Japanese steel industry which, in turn, provided the backbone for the Japanese military machine. To continue to supply Japan with iron ore necessarily equipped the Japanese with the means to forcibly grab the metal, should the need arise. On the other hand, blocking supplies would deprive the UMS of wealth-creation opportunities while also making it increasingly likely that the Japanese would resort to military means in order to secure the much-coveted metal.

The 1930s: strategic dilemma versus business as usual

The strategic issue was not a major problem when the initial mining concessions in Johor and Terengganu were awarded to Japanese interests. The 'Two Island Empires' were allies to 1923. Nevertheless, Japan was becoming increasingly estranged from the Empire-Commonwealth, following Tokyo's resentment at the failure to include a racial equality clause in the Treaty of Versailles, and the country's disappointing allocations in the Washington Naval Treaty of 1922. Anglo-Japanese tensions were further heightened by the occupation of Manchuria in 1931 (and the subsequent bombing of Shanghai in 1932). This was followed by the withdrawal of Japan from naval limitation talks in 1936 and the Japanese invasion of rump China in 1937 (threatening Britain's interests along the Yangtze valley). Moreover, Imperial Japan increasingly aligned itself with Nazi Germany and Fascist Italy through the Anti-Comintern Pact of 1936, and the full-blown Axis alliance of 1940. Simultaneously, Japan became dependent on Malayan iron ore. The steady increase in production directly reflected the militarisation of both Japanese industry and governance: 'military build-up and the resultant expansion of heavy industries tremendously increased demand for natural resources, particularly minerals'.[49] As a British colonial geologist put it in 1941, iron-ore, manganese and bauxite mining produced 'welcome sources of revenue to the east coast states' but they had to be 'regarded with mixed feelings'. They also represented 'important sources of supply for the armaments of Japan'.[50]

It might seem perplexing, therefore, that to 1940 minimal restrictions were placed on Malaya's iron ore exports. The only limitation on supplies reaching Japan arose from the availability of labour and shipping.[51] Strikes during 1937 and 1938 in Johor and Terengganu by Chinese coolies, protesting at Japan's occupation of their motherland, did lead to a dip in production. But the Chinese were replaced by a combination of Japanese fishermen, and Tamil, Malay and Indonesian workers. Production at Bukit Besi actually increased through maintaining extraction during the monsoon season, and stockpiling the ore until shipping could be resumed.[52] For 1939, iron exports to Japan from the Malay States reached a new peak of over 1.9 million tons; a gain of nearly 27 per cent over 1938 and 20 per cent over 1936's previous record output.[53] Production at Temangan more than quadrupled between 1937 and 1940 alone, from around 49,000 to 226,000 tons – the only restriction on exports was a complex transportation system for the ore involving an aerial ropeway from the isolated mine to the railway at Bukit Besi.[54] In step with this upsurge in Japanese mining activity throughout the 1930s, the Japanese population of Terengganu grew nearly 58 per cent from 330 in 1931 to 520 in 1939.[55]

One reason for this 'laissez-faire' attitude lay in the chaotic nature of British rule in the peninsula, and the large degree of discretion afforded to the individual UMS administrations in the alienation of land. The all-controlling British 'overlord' existed in myth only. In Kratoska's apt phrase, 'Britain ruled Malaya by sufferance, not by fiat'. Lacking capacity, the administration could not 'shape and manipulate the economy'.[56] British 'indirect rule' entailed negotiation and compromise with

Malay elites. In particular, land remained vested in the sultans and rajahs, and alienation decisions were the preserve of the 'Ruler-in-Council'.[57] The government of Johor, not the High Commissioner for the Malay States/Governor of the Straits Settlements, nor the CO in London, awarded the Batu Medan concession to Ishihara.[58] Local rulers jealously guarded these rights not only as a means of generating revenue, but also as a means of maintaining autonomy.[59] At the same time, the British were at pains to ensure that this arrangement continued, with the 'maintenance of the position of the Malay rulers…a cardinal point of British policy'.[60] The Bukit Besi lease in Terengganu reached Japanese interests by a circuitous route, without central mediation: in 1917, a Chinese speculator, Wong Sin, sold his mining rights with a payment of M$50,000. Wong Sin had been awarded the lease by a member of the Terengganu royal family, Tengku Abu Bakar, (who, in turn, had been granted land by the Sultan).[61] Furthermore, in the course of 1917, Wong Sin's concession was transferred from one Japanese purchaser to another. These complex deals only came to regional and imperial attention in Singapore and London during 1935 as a consequence of Special Branch delving into the confidential files of Terengganu's British Adviser (which also revealed that the legality of the original grant or 'chop' was 'open to question at the time owing to the wide powers conferred').[62]

Even so, land alienation to Japanese companies continued. In September 1936, the Terengganu government, including the British Adviser, was happy to lease additional land to NKK to extend its railway line from its jetties at Nibong on the

Dungun River to a new port at Sura on the coast. None of this decision-making seems to have been referred to the colonial administration beyond Terengganu.[63] This 'hands off' policy was strongly defended in Whitehall. A CO mandarin pointed out that the 'Protected States [would] not stand for exploitation in the interests of British industrialists'.[64] In December 1937, despite Japan's invasion of China's eastern seaboard five months earlier, Southern Mining was awarded a further 14-acre lease for 21 years at Temangan in Kelantan.[65]

This is not to say that the 'central' colonial administration in Singapore or metropolitan officials in Whitehall were disinterested in Japanese activities. The High Commissioner called for a 'confidential report on iron mining by Japanese in Malaya' in 1933.[66] When Sir Cecil Clementi forwarded the findings to London, the High Commissioner suggested that the document be studied by the War Office (WO), Admiralty and Air Ministry, as well as the CO, since the mines employed 'large quantities of explosives by aliens and in practice this is very difficult to control'.[67] While primarily concerned with the Malayan Communist Party (MCP), with more resources and manpower directed towards spying on its supporters, Singapore's Special Branch had become significantly concerned with the activities of Japanese individuals and enterprises in Malaya to warrant the creation of the Japan Section in 1933.[68] The espionage case of 1934 intensified geo-strategic angst. Kokubu Kiromichi, a Japanese metal engraver resident in Singapore, attempted to obtain military secrets from personnel connected to the Royal Air Force. Kokubu was in league with two further Japanese individuals who had arrived in the peninsula in

November 1934.When the conspiracy was uncovered by Special Branch, it was ascertained that one of the visitors was actually Lieutenant Commander Kaseda Tetsuhiko of the Japanese Navy. Kaseda claimed to be an employee of ISK and his accommodation was arranged by Y. Nishimura, the managing director of ISK in Malaya. Under questioning, Kaseda confessed that the purpose of the visit to Malaya was to obtain official secrets.[69] Before similar interrogation, Nishimura committed suicide by swallowing a strychnine capsule. Special Branch's inkling that Nishimura was financing Kokubo and his colleagues was confirmed by intercepted telegrams from the Japanese Consul-General in Singapore to Tokyo.[70]

Banishment orders were issued for the two Japanese visitors, as well as Kokubo and another Japanese Singapore resident. But the 'bigger picture' worked against any curtailing of Japanese exports or employment restrictions. The affair was hushed up because the British imperial government did not wish to rock the boat. The wider context was the naval negotiations taking place between Britain, the US and Japan in London. Britain's principal concern was to prevent the enlargement of the Japanese navy, while the Japanese sought parity.[71] British officials and ministers hoped for a 'diplomatic escape' from a 'strategic reality' designed to avoid 'full-scale air and naval rearmament'.[72]

The possibility of a Japanese army-in-waiting was dismissed by the CO in March 1937. The Japanese expats were by-and-large genuine engineers and supervisors and they were insufficient in number to constitute a major threat.[73] Nonetheless, in the light of the exposure of Singapore with Japan's refusal to sign the London Naval Treaty in March 1936, and the Japanese Navy pushing ahead with expansion, a decision was taken to prevent 'further alienations to the Japanese for mining without the permission of the military'.[74] Iron and bauxite mining by Nissa Shokai in Johor was suspended during 1937 because the mine was located in an 'area of peculiar air and naval importance'.[75] Nevertheless, restrictions continued to be balanced with a desire not to push the Japanese too far, or to kill the goose laying the golden eggs in the UMS. There was a ban in the FMS on the export of scrap iron, but 'revenue considerations' permitted the other Japanese mines to continue operating. In February 1941, an extra export duty of 2.5 per cent ad valorem was imposed on iron ore. But this was a 'revenue-producing measure' rather than an attempt to discourage exports.[76] Southern Mining was even given dispensation to import oxygen bottles (potentially highly inflammable) in September 1940 given production from which Kelantan 'derive[d] revenue'.[77]

After the Japanese invasion of China, economic sanctions against Japan, involving halting raw material supplies, were held back by inter-departmental wrangling in Whitehall encompassing the CO, the Foreign Office (FO), the Board of Trade (BoT) and the Treasury.[78] In this, there were compelling arguments which favoured accommodation with Japan. Prime Minister Neville Chamberlain, supported by the Treasury, Admiralty and WO, wished to avoid a war on two fronts given European tensions and an unreliable US administration.[79] With Washington trying to avoid alliances and deescalate tensions, a sudden restriction of iron-ore exports might only benefit the American-occupied Philippines.[80]

This strategy could be seen as a continuation of British economic 'appeasement' which, after the occupation of Manchuria, Kibata argues sought to establish imperial coexistence with Japan.[81] Best disagrees, however, citing quotas on Japanese textile imports to Malaya after 1934 which heightened tensions.[82] But Malayan iron ore was a different case. It lacked a politically-powerful industrial voice in Britain, compared to the Lancashire cotton mills. In this regard, Britain's stance on iron ore was more akin to commodity policy towards Nazi Germany in the 1930s designed to continue trade and reduce antagonism through maintaining dependencies. The 'time to engage in economic warfare was at the outbreak of war, not before'.[83] As a CO mandarin noted in March 1937, it was:

> infinitely preferable that the Japanese should spend their capital on developing these mines in Malaya and make themselves dependent on supplies from this source, which would be immediately cut off in the event of war, than they should develop resources in North China or Manchuria from which they could not be so cut off.[84]

This position resonated in the US. In weighing the strategic dilemma against economic opportunity, the Americans were minded to avoid a situation which would allow Japan to 'reduce its economic dependence on the United States'.[85]

In avoiding war with Japan, the situation was complicated by the outbreak of conflict in Europe from September 1939. An export licensing system was introduced by the Malayan governments.[86] Yet, the British Ambassador in Tokyo, the BoT, the Treasury, the FO, the CO and the Ministry of Economic Warfare (MEW) continued to squabble over the necessity for further restrictions.[87] On the one hand, the MEW sought restrictions as key to its policy to prevent strategic raw materials reaching Axis powers.[88] It was supported by the BoT and Treasury, though in their case to avoid a new Anglo-Japanese trade agreement that might require Britain to purchase unnecessary Japanese goods.[89] Nevertheless, while attitudes had hardened by autumn 1940, the FO-CO consensus continued to ensure shipments of iron ore to Japan. Concerns about Japanese intentions towards Southeast Asia, through the military occupation of Indo-China in September, were compounded in the following month by a tour of Borneo by a Japanese consul, sizing up the oil potential of the British-protected territories. Yet, there was a concurrent appreciation that 'too severe a policy of sanctions [might] only provoke Japan into launching an offensive against largely undefended South-East Asia in order to seize the region's raw materials'.[90] In June 1941, Rab Butler, a junior minister at the FO, with a reputation for appeasement, argued that restriction of Terengganu's exports 'would produce a maximum of tension in our relations with Japan with a minimum of useful result'.[91]

Even so, the British intelligence image of Japan as a 'cautious power', led to 'tightening economic sanctions'; a 'containment' policy, in which the screw was gradually tightened up, 'designed to gain time and to weaken Japan'.[92] This meant that the concerns of the governor of the SS about Singapore's vulnerability and the economic destabilisation of the UMS began to be overridden.[93] In March 1941, Singapore was told by London that existing quotas, whereby iron-ore exports were kept to the average prevailing before the outbreak of war in Europe, could not be raised.[94] A further reduction in shipments eventuated in July 1941 given restrictions placed on night loading, potentially cutting annual exports by half.[95] With Butler moved to Education, the FO took a more confrontational stance arguing that a denial strategy would make Japan 'hesitate before deciding on war'. This followed the extension of US export controls of raw materials to the Philippines at the end of May.[96] Nevertheless, some concessions were given to the Japanese miners in late-July after a 'freezing order' on financial transactions was feared likely to have 'very unfortunate' consequences for local labour through the non-payment of wages.[97]

This was, after all, at a time when central directives for the colonial empire stressed that 'the right use of resources', in line with the sacrifices being made in the UK, should not be at the expense of 'large populations... whose standard of living is now so low that the same policy cannot and should not be applied to them, even in wartime'.[98] The context was the Colonial Development & Welfare Act of 1940 designed to placate colonial populations, as well as undercut US and Axis critiques of British imperialism, following a wave of labour unrest which engulfed the tropical empire in the 1930s.[99] This included the mines, plantations and ports of Malaya where there was a series of strikes, riots and looting from 1936 involving the MCP as well as

Indian nationalist groups (spurred on by Nehru's visit to Malaya during 1937).[100] Between 1936 and 1939, the number of working days estimated lost due to strikes totalled over 1.1 million.[101] Economic opportunity continued to trump strategic dilemma, therefore, and a Philippines-style blanket ban on iron-ore exports to Japan was out of the question. The MEW explained to the British embassy in Washington that further restrictions might be interpreted by Tokyo as 'unjustified and provocative' but would also 'create local economic and financial problems'.[102]

By 1941, British diplomats in Japan were calling for curtailment of shipments of strategic materials, which would teach anti-British elements in Japan 'a useful lesson'. The excess of Malaya's iron ore could be used for British war needs or found an outlet in another neutral market.[103] But where was the alternative market? India's industrialisation remained insufficient to absorb large quantities. Processing Malayan ore in Australia was considered 'uneconomic'.[104] A 'dog-in-the-manger policy', as an American commentator appreciated, would 'only antagonize Japan pointlessly in order to secure for British interests an unwanted monopoly'.[105] This often conflicting interplay between strategic dilemma and economic opportunity meant that it was only in August 1941 that Whitehall could claim that Malaya was no longer supplying Japan's munitions industry.[106] At the end of May, cement for the extension of Kokan Kogyo's wharf was requisitioned for emergency Air Raid Precaution purposes.[107] Further 'defence measures' in July provided 'an additional restriction' on the Kelantan mine's exports. The issue of a mining lease to ISK at Rompin in Pahang was also withheld and the Japanese prospectors in the area withdrew.[108] A steady flow of Japanese left Malaya in autumn 1941, some aboard the Japanese government's official repatriation ship in October.[109] Nonetheless, it was only at the end of November that ISK closed its Batu Pahat office. As such, substantial iron-ore stockpiles awaited Japan's invasion of the peninsula in December.[110]

Ironed Out: the Japanese Occupation

According to Kratoska, the notion that 'Japan conquered Malaya to obtain the peninsula's rich resources' is a 'misconception'. Rather, Malaya provided a stepping-stone to the oil fields of Sumatra and Borneo. The peninsula, 'played almost no role in supplying raw materials because, with the exception of bauxite, [Malaya] produced very little that Japan needed to prosecute the war'.[111] Johor's mines only managed to yield around 17 per cent of Japan's bauxite imports throughout the Occupation with the bulk of these supplies being sourced from the Indonesian island of Bintan. Rubber was produced in Malaya on a scale far exceeding Japan's war needs, while the peninsula's tin production was effectively neutralised in British scorched-earth tactics which crippled the dredges. Though crucial for Japanese steel, even Malaya's iron ore failed to live up to its pre-war potential (see Table 1).

Table 1: Iron Ore Production in Malaya, 1941-5

Year	*Total Output*
1941 (to September)	1,148,977
1942	90,776
1943	43,361
1944	10,453
1945	13,375

Source: *Federation of Malaya Annual Report 1948*, 68

The lack of resource exploitation might suggest that Malaya's importance to Japan lay in geo-strategy, through controlling shipping and denying the enemy. This represents a retrospective reading, which overlooks the intense Japanese interest in the peninsula's strategic metals in forging their Occupation plans. The significance of tin as war matériel in the production of automobiles, for example, is often forgotten. While substitutes for tin were available in the 1930s and 1940s, readjustments to production methods were so costly that 'no belligerent nation would willingly forego the use of tin'. Indeed, the Japanese case demonstrated 'that an increased use of tin results from modern warfare'. Japan's consumption of the metal rose from 4,700 to 11,000 long tons annually in the decade after 1929. Moreover, tin was extensively stockpiled by Japan from the late-1930s as the spectre of war loomed.[112] Concurrently, 'no bauxite sources existed within Japan's "Inner Zone"', and bauxite was the key component in the production of aluminium which was crucial for aircraft construction.[113]

In the case of iron ore, meanwhile, American analyst Patricia Barnett concluded in the summer of 1940 that 'both political and economic factors lead us to anticipate greater, rather than less, dependence [on Southeast Asia]'.[114] Iron and steel production and consumption in Japan came under the control of the military-led government by late-1937. In December of that year, the Planning Board's greatest concern was 'a shortage of steel'.[115] By 1941, when steel was one of six crucial industries under a control association, it is reckoned that nearly half of Japanese steel was allocated to the military, with a substantial slice consumed by the shipbuilding industry.[116] However, the Japanese military was so disappointed with the Planning Board's steel allocations for 1941-42, that several of the Board's members were arrested on charges of communism.[117] Moreover, as an FO mandarin unwittingly emphasised in July 1941, Japan's shortage of iron and manganese could not be alleviated by 'greater control over Indo-China', which had only produced 1,158 tons for Japan in 1936, compared to the 3 million tons of annual combined exports from Malaya and the Philippines by 1939.[118] The Japanese agreed. Suzuki Teiichi, heading the Planning Board in 1941, concluded that resources from the 'first resource acquisition sphere' of China, Indochina and Thailand would be insufficient to 'wage a war of endurance' and that this could only be achieved with the addition of resources secured, by force if necessary, from Malaya and Indonesia.[119]

Moreover, Kratoska did 'not sufficiently analyse the [Japanese] policy making process' which 'underlay the military administration'.[120] As noted by the American Institute of Pacific Relations as early as 1932, 'In the motivation of …policy…the leading role has been played by iron and steel' and '[t]o create a national independence in these crucial materials has been one of the steady objectives of Japanese policy'.[121] Given that iron was a coveted commodity before the invasion, it did not miraculously diminish in value once the Occupation began. Subsequently approved by the Tokyo cabinet, the 'Outline of Economic Policies for the Southern Areas' of December 1941 stated that: 'The primary objective shall be to fulfil the demand for resources vital to the prosecution of the present war'. In identifying its 'Primary Policies', the Outline continued that: 'Emphasis shall be placed on the acquisition of resources'. Ensuring that '[e]very effort shall be made to prevent the outflow of indigenous resources to the enemy' was secondary to this principal objective.[122] In this, 'Existing mining facilities shall be restored as rapidly as possible'.[123] Clearly, for the Japanese, the raw materials 'which the [Southeast Asia] region itself offered' were among its 'more noteworthy features'.[124] Feis's classic study of the origins of the Pacific War stressed how raw materials policy affected Japanese plans for war from September 1941. Drawing upon studies made available by the American Occupation authorities at the end of World War Two, particularly through information gathered from leading army and naval officers, Feis explained that:

> The wish to obtain economic reserves for a long war was an important factor in determining the spheres to be occupied. It was decided by

> Imperial Military Headquarters that to be sure of enough oil, rubber, rice, bauxite, iron ore, it was necessary to get swift control of Java, Sumatra, Borneo, and Malaya.[125]

Although Feis's work was published in 1950, a string of scholarly publications since continue to demonstrate the importance of securing raw materials in Japanese military planning for the Pacific War.[126] Overy, in synthesising this literature, writes that Japan's 'final acceptance that war with the West was strategically necessary… had a clear economic motive… [W]ithout the resources of south-east Asia and facing a tighter blockade of vital materials from the US, Japan could not sustain its war effort'.[127]

In this context, the information booklet, *Read This Alone – And The War Can Be Won*, compiled by Imperial Headquarters for the Japanese troops who invaded the Malay peninsula, is telling. Although presaged with pan-Asianist rhetoric, Japan's occupation of Southeast Asia was legitimised by the hard realities of strategic raw material exploitation. The region did hold significance as a means of denying rubber, tin and tungsten to the 'unscrupulous' 'Anglo-Americans'. But, if Japan could 'master' this area, 'she [would simultaneously] gain control of the oil and steel that she needs for herself'.[128] Wartime British intelligence discovered that, 'The programme mapped out for the iron industry in Malaya is perhaps the most ambitious of all the Japanese plans for that country'. That included the manufacture of pig iron locally to support a local steel industry.[129]

The lack of production of iron ore under the Co-Prosperity Sphere was not, moreover, through lack of interest, but insurmountable impediments to extraction and export. The ability to fully exploit Malaya was dependent in large measure on Japan's control of the seas (and, to protect shipping, dominance in the sky). In December 1941, Tokyo calculated that even Japan's existing six million tons of shipping was 'barely sufficient to satisfy the requirements of the short war that was planned'.[130] Japan only succeeded in mastery of the air and sea for a six-month period prior to the Battle of Midway in June 1942 (which left the Japanese empire on the back foot and marked what Churchill dubbed the 'turning point in the Pacific War').[131] Moreover, the attempt to extend the perimeter of the South Seas Region prevented Japan from exploiting the resources of the area already occupied and contributed to the subsequent scarcity of shipping which presented an obvious barrier to large-scale export.

Japanese administrators interrogated immediately after the Pacific War revealed to British Military Administration (BMA) intelligence gatherers that only 104,750 (less than one-third) of the 350,000 tons of ore scheduled for export were shipped in the year ending March 1943.[132] From 1941-5, Japan's merchant shipping was reduced more than four-fold from 6,384,000 to 1,466,900 tons.[133] Despite the launching of a shipbuilding programme throughout the Southern Regions in 1944, to which Malaya's iron ore would contribute, British intelligence found 'indications that Japan cannot even always move goods of high priority within the Co-prosperity Sphere'. By the summer of 1944 there was 'very little left' of Malaya's pre-war trade.[134] Not only did the Japanese lack the means to transport the ore to the steel mills, they also could not import sufficient plant to develop heavy industries in Malaya to support the outer defence of their empire.[135] The 'vicious circle of a shortage of natural resources and a military expansion', was only exacerbated once the Occupation began.[136] The Japanese resorted to dismantling non-essential railways in Malaya in order to plug the deficits in shipping and iron ore.[137] Shipping shortages also led to an absence of food stuffs. The Japanese miners found it extremely difficult, therefore, to maintain a productive workforce.[138]

Nevertheless, in the invasion's logistics, the military relied upon knowledge of Malaya's topography and infrastructure, which had been significantly enhanced by the presence of Japanese mining technicians and managers from the 1920s. In the capture of bridgeheads in east and west Johor at Endau and Batu Pahat during the advance down the Malay peninsula (see Figure 2), General Yamashita's divisions were much helped by the port facilities built by the Japanese mines.[139]

Figure 2: Japanese invasion routes, 1941-2

Source: Rouwen Lin, 'Invasion of Malaya: First shot in the Pacific war', *star2.com*, 8 December 2016, available at: https://www.star2.com/people/2016/12/08/invasion-of-malaya-the-japanese-arrive/, accessed 16 December 2018.

Colonel Tsuji Masanobu, the strategist who planned the Malayan campaign, recalled that 'from a Japanese resident in Malaya we received aerial photos of Singapore'.[140]

In the 1930s, Singapore Special Branch called into question the carrying of explosives on ISK vessels. An ISK ship's captain in Singapore was said to have contacts with the Kaseda spy ring. The ISK fleet was allegedly ferrying '"safe-hand"covers of political interest and possibly receiving and sending wireless messages of a similar kind'. There were, additionally, constant visits by agents and employees of ISK 'whose precise business is never made clear and whose coming and goings are largely a law unto themselves'.[141]

In Japan, meanwhile, Ishihara Hirochiro, ISK's founder and president, regularly engaged in expressions of 'jingo-militarism' and violently anti-British articles in his Osaka-based newspaper and in a book, *The Building of New Japan*. Ishihara advocated Japanese southwards expansionism and pan-Asianism at the expense of what ISK's boss called the 'anachronistic and effete British Empire'. Moreover, a new mining venture at Kota Tinggi in Johor was suspect in the eyes of the colonial security services because it 'would normally have been dropped by any genuine business firm'.[142] This view was shared by the Dutch authorities in Indonesia, which cited Ishihara's Nanyo Veem warehousing company as 'one of the most active mediums for espionage' which imported and stored propaganda materials for the Japanese Consulate.[143] Moreover, in 1936, Ishihara employed an ex-army officer, Aratame Naoji, with a remit to conduct espionage at ISK's Batavia warehouse.[144] The evidence against Ishihara makes it 'unlikely that any other Japanese businessman active in Southeast Asia did quite as much to prepare the ground for the foundation of the Greater East Asia Co-Prosperity Sphere'.[145] NKK in Terengganu, meanwhile, was an integral part of the Nissan group. Nissan was one of the 'new' zaibatsu of the inter-war years which grew exponentially in the 1930s, particularly through connections to the munitions industry, to become the third-ranking combine after Mitsubishi and Mitsui. Nissan found special favour with the Japanese military in the development of heavy industry in Manchuria.[146]

Before his suicide in 1934 ISK's managing director had been the head of Singapore's semi-governmental Japanese Association. This ex-pat body had a distinctly expansionist flavour. A pre-war colonial police assessment reported that the Association saw itself as a 'self-governing community fighting the economic battle for Japanese supremacy in the South Seas'.[147] A number of apparently harmless Japanese civilians reappeared in military uniforms once the Occupation commenced.[148] At the least, 'legitimate organizations and activities' provided 'a useful cover for the genuine espionage agents who obviously did infiltrate the country'.[149] Post-war, it was certainly the view of British officials that Japanese mining personnel had 'suborn[ed] local labour forces' and 'prepar[ed] the way for the amphibious landings' on the Kelantan coast in December 1941 (see Figure 2).[150] Consequently, great lengths were taken to prevent the same individuals from resurfacing in post-war Malaya and to block ventures which were potential fronts for pre-war businesses.

Post-1945: strategic dilemma to strategic and development imperative

Malaya's iron ore could 'never again' be extracted by or for Japanese interests in the view of BMA officers in the reoccupation of Malaya in September 1945.[151] Anti-Japanese sentiments in Malaya/Malaysia continued to pervade until the 1970s. Yet, within seven years of the end of the Pacific War, Malaya was once again shipping vast amounts of iron to Japan as production exceeded one million tons. By 1956, at over 2.4 million tons, Malaya's mines exceeded any output figure hit pre-war. With production over 6.5 million tons by the early-1960s, the peninsula's iron outlets were exporting more than three times the maximum achieved in the 1930s.[152] Japanese investment in mining, directly through financing and indirectly through technical assistance and equipment, also returned to Malaya. Ultimately there was no room for sentiment in shaping raw-materials policy. The story of iron ore in the post-war period illustrates striking continuities with the interwar era - the metal's centrality to the east coast, the limits of imperial economic integration, and the impact of geo-political factors in shaping Malaya's economic development.

For British strategists in the initial post-war period, the best-case scenario was a sterling-area/Commonwealth outlet, such as Pakistan, for Malaya's iron ore.[153] The Japanese mines were taken over by the Custodian of Enemy Property (CEP) and sold to non-former-Axis companies.[154] As late as September 1951, given a shortage of iron ore for the UK steel industry, Sir Edwin Plowden, head of Britain's Central Economic Planning Staff, plus bureaucrats in the UK's Ministry of Supply, coveted Malayan iron ore for the British market.[155] This was indicative of a remarkable commitment by the Attlee government in London to Empire-Commonwealth sterling-area development as a means of reconstructing and reviving the British economy – a tendency which continued into the early years of Churchill's peacetime administration.[156]

Malaya, however, remained an 'unusual and uneconomic' source of iron ore given the high shipping costs to Europe which had weighed against British exploitation of these resources pre-war.[157] Alternative reserves in Africa and Canada were better located. Special and highly secretive permission was given in 1952 to the British Iron & Steel Corporation to increase capital in iron-ore mining outside the sterling area in French West Africa given the 'very great importance to the UK economy'. While there was a shortage of ore 'essential for the UK's iron and steel production', in the Treasury's view the 'natural market [for Malaya's ore] was clearly Japan'. Alternative markets in the US, the UK, India, and Australia were all considered 'definitely unpromising, except for small quantities'.[158] Some supplies did reach Britain from Malaya, but this was a short-term fix. The Eastern Mining & Metals Company (EMMCO), the Australian-Swiss partnership which took over the Bukit Besi mine in 1948, endeavoured to sell wherever it could get the best price. By 1953, however, it had only sold small quantities of ore to continental Europe, and only one consignment to the UK.[159]

Moreover, by the early-1950s, Anglo-US Cold War imperatives overrode the integrated sterling-area ideal. The Asian Cold War became hot with the victory of Mao Zedong's forces in the Chinese civil war by the end of 1949, and the intervention of the People's Republic in Korea during 1950 (plus the beginning of Red Army supplies to the Vietminh). In Washington, it was believed critical that Japan should remain within the western camp and be prevented from 'seeking markets or materials from the Communized areas'. If this was not achieved a 'dangerous dependence' (notably on Mao's China for iron ore) could 'expose Japan to successful Communist blackmail'.[160] As US Secretary of State Dean Acheson argued in 1951, this would give the Sino-Soviet bloc the means to 'significantly' alter 'the balance of world power'.[161] In turn, the US would have 'to spend more and produce more to offset this difference, so that it really was to the interest of the US to make it possible for Japan to stay on… side'.[162]Highly dependent upon Washington's goodwill in the UK's post-war financial crisis, British officials found it difficult to argue against the logic that Japan 'must re-emerge as the dynamic hub of commercial activity throughout Asia'.[163] Steady supplies of Malayan iron ore, particularly, were crucial both for Japan's reconstruction and the production of capital goods which were vital for the country's future trading health.[164]

In this context, a delegation headed by Kenneth Morrow, senior administrator for SCAP's Economic and Scientific Section, visited Southeast Asia in 1951. The Morrow mission's aim was to ensure access for Japan to the region's raw materials and its markets for trade in manufactures.[165] Morrow was particularly interested in Malaya's iron-ore potential given that 'SCAP sought [Japanese] industrial revival through a priority production plan that put the crucial inputs of coal and steel atop a pecking order for allocations of materials, capital and imports'. Inter alia, this involved government subsidies which 'massively reduced purchase prices for raw materials and consumed steel'.[166] By 1955, Malaya was once again the largest supplier of iron ore to Japan. Underwriting this trade, the Hongkong and Shanghai Banking Corporation (HSBC) learned in 1960 that 'the projected future of the Japanese steel industry was based on a certain amount of ore being brought from Malaya'.[167] In March 1963, a Japanese steel company director reassured officials and mining directors in Kuala Lumpur that 'Japan believed strongly in Malaya's iron ore and gave it priority'.[168]

Even so, the British had not been prepared to merely roll over and allow a US-backed Japanese free-for-all in Malaya. Mindful of public opinion, both in the UK and locally in Southeast Asia, the colonial administration used capital controls and visa restrictions to allow the gradual reintroduction of Japanese investment and personnel into Malaya. This level of scrutiny was made possible by a more centralised bureaucracy after 1946; a 'second colonial occupation' driven largely by the belief that the anarchic, patch-work quilt of pre-war administration had ended in the military debacle of 1941-2. The Malayan Union proved short-lived, given Malay protests against the loss of their sultans' powers. But, the watered-down Federation post-1948 still involved a single government for Malaya as a whole (bar the separate crown colony of Singapore). This permitted overall control of public finances in Kuala Lumpur, and an ability to plan for all the Malay states and settlements.[169]

In facilitating Japan's reintegration into the Malayan economy, this was not a case of Britain caving in to US pressure. Cold War containment dovetailed with a ‘development first’ attitude on the part of the colonial administration.[170] The backdrop was the Emergency, the counter-insurgency war with the MCP, and controlled decolonisation which, in tandem with economic development, was supposed to anesthetise the Malayan masses against leftist militancy. Once again, iron-ore exploitation was seen as crucial for the modernisation of the east coast. For example, the opening up of the Rompin deposits was expected to be ‘of [the] greatest importance to the economically backward state of Pahang’.[171] Though in the FMS family before the Second World War, Pahang was a poor relation to Selangor, Negeri Sembilan and Perak in terms of its rubber and tin development. Here, the desire to exploit economic opportunities intensified as SCAP’s and Japan’s interests elsewhere in Asia could potentially shut off markets for Malaya. Chinese raw material exports to Japan remained ‘almost at a standstill’ in 1952. The Japanese EXIM Bank in 1953 was ‘not very hopeful’ of getting Yangtze River or Manchurian supplies, and these reserves were ‘very limited’ anyway.[172] But the Philippines government had agreed in September 1948 to supply 200,000 tons of iron ore annually to Japan in exchange for industrial goods. This quantity rapidly increased so that Japanese mining and steel interests expected to import 1.5 million tons from the Philippines for 1953 (as against Malaya’s contracted 850,000 tons). India’s and Portuguese Goa’s iron ore-exports were also on the rise: together they supplied 370,000 tons to Japan in 1951, and, for 1953, India agreed to deliver 300,000 tons and Goa ½ million.[173]

In repetition of the 1930s, the revival of iron mining offered employment possibilities. But, whereas the Japanese-owned mines had ordinarily relied upon Chinese and

Indian immigrant labour, jobs were reserved post-war for the economically-marginalised indigenous Malay community. The Japanese miners did employ large number of Malays by 1941 but that was largely through necessity as the Sino-Japanese conflict made Chinese labour unreliable. EMMCO's Australian owners, however, made a virtue of their positive discrimination in favour of Malays. Employing about 3000 indigenes by 1953, EMMCO at Bukit Besi was one of the highest employers of Malay labour outside government, and this extended to executive posts.[174]At Temangan, a British investment group won support from Kelantan's Malay Chief Minister through emphasising that his mining subsidiary 'would be employing considerable numbers of local labour'. The 15-year concession awarded in 1956 required the Oriental Mining Company to train Kelantanese personnel to replace Japanese in supervisory posts, and to provide a scholarship for a local Malay.[175]

The annual Bukit Besi payroll in the 1950s amounted to M$3 million. EMMCO's Rompin mine, primarily utilising Malay labour, would become one of the largest single employers in the peninsula when it finally opened for business in 1962. As in the era of Japanese ownership, the iron-mining towns were self-sufficient enclaves of modernity equipped with shops and markets, schools, hospitals and leisure facilities such as bars and swimming pools.[176] Moreover, the iron mines were significant contributors to the public purses of the cash strapped east-coast states. The Japanese iron mission to the Federation in 1963 claimed that Malaya's export duties were 'among the highest in the world'.[177] Under the federal arrangements after 1948 royalties were converted into export duties. Strictly speaking, these revenues should have accrued to the central coffer in Kuala Lumpur. But a special concession allowed for the states to be the prime beneficiaries, especially where Terengganu represented 'one of the biggest difficulties'.[178]

Export duties from mining accounted for more than half Terengganu's locally raised income by 1954.[179] The federal chest was also topped up through the payment of M$6 million in income tax from EMMCO between 1948 and 1953 alone. EMMCO's exploitation clearly fulfilled the administration's hunger for 'obtaining revenue not only from a fair rate of Export Duty but also from the Income Tax on the profits'.[180] Concurrently, iron-ore exploitation broadened out the Malayan economy, which was still regarded as dangerously dependent upon rubber and tin and which, with the end of the Korean war boom, was more exposed than ever (especially as high prices had stimulated synthetic rubber production and substitution and conservation techniques for tin).[181]

Despite the obvious boon to the local economy and the concomitant benefit of winning hearts and minds, the British were determined to prevent a return to Japanese dominance of Malayan iron mining. For example, in 1948 the Nippon Mining Company offered to place itself at the disposal of the colonial administration, and to 'undertake any task' which it might 'deign to assign'.[182] The UK Liaison Mission in Tokyo regarded this 'generous' offer as a desire by NKK to 'gradually infiltrate back into Malaya'. Nevertheless, it was believed that the risk could be managed to secure NKK's expertise and ensure 'the use by Japan of [Malayan] iron ore in preference to that from other sources'.[183] The authorities in Kuala Lumpur were alive to the 'defence point of view' but believed a small group of Japanese engineers, familiar with the ore and with the Japanese steel giants that had used it before the war, could be let in on a short-term basis to revive Bukit Besi.[184] The CEP in Kuala Lumpur painstakingly scrutinised applications for mining leases to ensure that the applicants were not cloaking investments by Japanese financial or mining concerns. For example, at Temangan, the ambitions of an 'American' firm registered in Panama, Metal Exports, Inc., were blocked when it became clear that this was merely a 'front' for the re-entry of the pre-war Kokan Kogyo. The application for renewal of title was refused.[185]

In the post-war strategic dilemma there remained a concern in British official thinking not to antagonise Japan, especially as the country regained its sovereignty at the end of the US-led occupation in 1952. 'What we must avoid', diplomatic staff in Tokyo advised, was to 'lay ourselves open to the pre-war Japanese propaganda charge that the West had monopolised the resources of Asia'.[186] On the spot in Malaya, however, the strategic threat by the early-1950s was no longer Japanese militarism but commercial control. From April 1952, following the signing of the San Francisco peace treaty, inspectors of mines were warned to keep a 'wary eye on anything which either appears to smack of Japanese infiltration or any other activities which may provide a cover for it'. Transfers of leases to foreign companies should be 'scrutinised'. It was feared that Japanese businesses would work through nominees in the disposal of former enemy properties. These might be bought by speculators with the intention of selling them on to Japanese interests when opportunities arose. A return to a Japanese monopoly of iron-ore production, as Malaya moved towards self-government, would allow the 'Japanese steel masters' to depress prices.[187]

A revised Kokan scheme, which proposed a partnership between the Japanese company and local Malayan interests, also failed to assure British officials who regarded the joint enterprise as 'window-dressing for a purely Japanese control on Temangan's production and export, and the mine as a reserved market for Japanese machinery exports'.[188] Hence, Kokan's president and Japan's Consul-General for Malaya were informed in July 1953 that any re-development of the Temangan mine would require a 51 per cent Malayan/British interest. The colonial administration and the British Embassy in Tokyo sought out 'highly reputable' British firms to lead the Temangan project, settling upon the agency house, Boustead & Co., and the shipping company, Andrew Weir. A combination of Weir and Boustead with Japanese interests 'would make a good *pis aller* for sterling capital control'.[189] Boustead/Weir held 51 per cent of the capital in the deal struck in 1954; Kokan took 39 per cent, after the Japanese share was further diluted through the Kelantan state government being allocated 10 per cent of Oriental Mining's equity. Strict visa controls would also limit the Japanese personnel at Temangan to about 30, and the company was advised that it was in its interest 'to employ as few non-Malays as possible'.[190] Such concerns continued into the post-independence era. The Federal Treasury suggested in the case of an iron-ore concession in Perak that the following clause be inserted in the contract: 'The Lessee shall not Assign, Transfer, or Sub-lease, the whole or any part of the lands hereby leased without first obtaining the written consent of the Ruler in Council'.[191]

The need to ensure the export of Malayan iron ore to Japan while simultaneously preventing Japanese economic dominance of the industry was a delicate balancing act. Hence, EMMCO's plans for Rompin through raising the bulk of its finance from American and/or Japanese government-linked banks was blocked by the Treasury in London, fearing a puncturing of Malaya's position as the prize-winning dollar earner of the sterling area or a default by EMMCO resulting in the mines being taken over by the company's Japanese creditors.[192] Fortunately, for EMMCO, HSBC was in the wings to pick up the tab at Rompin (as the premiere colonial bank had been for the rebuild and upgrade of Bukit Besi).[193] Nevertheless, a barter deal, whereby US$10 million worth of Japanese steel, plant and equipment would be swapped for Malayan ore through deductions from the proceeds of its sale, was reluctantly tolerated by the Treasury and the Bank of England (even though this might lead to the Japanese steel mills paying less-than-market prices for their raw-material supplies).[194] Such, however, were the 'impressive strategic arguments' and the 'prospective benefits to [Malaya's] development'.[195]Malayan iron ore was the dream ticket: it fulfilled the development priorities of the colonial administration, while simultaneously meeting the broader Cold-War objective of facilitating Japanese reconstruction. Iron ore continued to be of considerable significance for Malaya/Malaysia's post-colonial economy with over 55 million tons of iron ore produced in the country's first decade of independence to 1967 with an export value of M$1.392 billion.[196]

Conclusion: threats versus opportunities

Iron ore was of far more importance to Malaya's twentieth-century economy, and the underdeveloped east-coast states especially, than existing studies acknowledge. Income from leases and export duties, as well as employment prospects and infrastructure development, made the exploitation of iron-ore mining a major enterprise. The giant mines at Bukit Besi and Rompin constituted the largest iron-mining complex in Asia during the 1950s and 1960s, representing two of the largest and most profitable industrial enterprises in Malaya/Malaysia.[197] Reliable sales of iron ore had the additional benefit of smoothing out fluctuations in the volatile prices of tin and rubber.[198] Added value came from iron ore's role as a strategic metal. Malaya became a geo-political concern at the heart of Japanese designs in the run up to the Pacific War. Iron ore was vital to Japan's industrial development and its war machine. By the 1930s, this raised potential dangers for Britain in its decisions to either supply or deny. The strategic dilemma continued into the post-war era as the colonial administration battled with inclinations to prevent the return of Japanese investments to Malaya while, at the same time, faced its own struggle against communist insurgents and the broader exigent demands of the Cold War. By 1948, US Occupation policy in Japan identified reconstruction as the mechanism to ensure Japan's role as the 'anti-Communist bulwark and economic hub of the Far

East'.[199] This 'reverse course', combined with President Truman's desire to reduce US overseas expenditure, dictated that Japan once again be given access to markets and raw materials in Southeast Asia. For Britain, this meant Malaya's iron mines, whose exports became a key commodity in containment.

Angst notwithstanding, Japanese interests in Malayan iron ore dovetailed with British interests for the development of the UMS in the inter-war years. In the post-war period, the 'development first' attitude of the colonial administration chimed with a need to provide greater security to Southeast Asia via Japanese trade. In this way, British dilemmas were either overcome or set aside in light of international geo-political imperatives and local economic opportunity.

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