

CHAPTER II

A. Malayan exports to Japan

Malayan exports find their way to several countries. The Federation is in this position because her major exports, mainly raw materials are much needed by the outside world. The Federation's main export markets are Singapore, United Kingdom, Japan and United States of America. Exports to Singapore are often re-exported to other countries. Japan, United Kingdom and United States of America have, therefore, been the most important markets of the Federation's exports, accounting for 38.7% of the Federation's total exports in 1963. Of these markets Japan ranks as the most important. Table A sets out the countries of destination of Federation's exports in 1963.

TABLE A
EXPORTS OF FEDERATION OF MALAYA, 1963

Countries of Destination	Total Exports	Percentage of total Federation Exports
Singapore	540.6	19.2
United Kingdom	223.6	8.3
Japan	390.6	14.8
United States of America	390.0	14.6
Thailand	23.6	0.9
Indonesia	6.0	0.3
West Germany	116.7	4.4
Australia	47.9	1.8
India	66.2	2.4
Others	893.5	33.3
Total	2,704.6	100.0

Source: Department of Statistics.

While exports to United Kingdom and United States of America have been substantial, those to Japan are gradually becoming important. In 1954 total visible exports to Japan accounted for 3.9% of the Federation's total exports. This figure rose steadily to 14.4% in 1961 and then dropped slightly to 14.1% in 1963. Table 5 sets out the percentage of the Federation's total exports to Japan between 1954 and 1963.

Table 5
POSITION OF FEDERATION'S EXPORTS TO JAPAN

Years	Total Exports of Federation (In \$ million)	Exports to Japan	Percentage of Federation total exports
1954	1627	64.6	3.9
1955	2372	90.0	3.7
1956	2264	119.6	5.2
1957	2182	176.5	8.1
1958	1885	160.0	8.4
1959	2473	301.0	12.9
1960	2927	355.0	12.4
1961	2627	371.0	14.4
1962	2611	356.7	13.1
1963	2690	396.6	14.1

Source: Department of Statistics.

Most of the exports to Japan as well as to United Kingdom and the United States of America are crude materials* almost all of which are the Federation's sources of foreign earnings.

* According to Malaysian Trade Classification which is based on the Standard International Trade Classification, crude materials are classified under Section 2 and include the following items.

- Division 21 - Hides, skins and furs undressed.
- " 22 - Oil seeds, oil nuts and oil kernels.
- " 23 - Crude rubber and similar natural gums and synthetic rubber.
- " 24 - Wood.
- " 25 - Paper-making materials.
- " 26 - Textile fibres and waste.
- " 27 - Crude fertilizers and crude minerals, other than fuels and precious stones.
- " 28 - Metallic ores and concentrates.
- " 29 - Crude animal and vegetable materials, inedible.

The main exports to Japan for the years 1959 and 1960 are set out in Table 6.

TABLE 6

MAIN EXPORTATION EXPORTS TO JAPAN

Commodities	1959	1960
Oil seed nuts kernels	5,155,028	6,255,233
Crude rubber	141,384,511	141,697,913
wood in round	1,776,324	541,103
Iron ore	98,400,977	136,992,944
Iron and steel scrap	4,837,006	3,215,419
Non-ferrous ores	7,380,443	7,615,069
Non-ferrous scrap	912,052	936,139
Vegetable produce n.c.s.	-	309,300
Vegetable oils	476,770	1,4,609
Essential oils etc.	111,256	111,217
Tin	57,147,445	71,642,497
Stoves, ships, aircraft	210,319	359,074
Miscellaneous	117,153	200,934
Total	317,870,284	370,611,171

Source: Federation of Malaya External Trade Statistics.

B. Trends in Rubber exports

The main Malayan rubber exports markets are the United Kingdom, United States of America, France, West Germany, Italy and Australia. Rubber is the second main item of exports to Japan. The importance of Japan as a rubber export market of the Federation is shown in Table 7 for the years 1954, 1959 and 1962.*

* Following an equal interval basis 1958 should have been selected. However 1959 was selected because it was considered more of a normal year than 1958 which was a year of recession. The same reason applied for the selection of these years in other parts of the study.

TABLE 7

RUBBER EXPORTS OF MALAYA

Countries of destination	1954		1959		1962	
	Exports (Tons)	% of Total	Exports (Tons)	% of Total	Exports (Tons)	% of Total
United Kingdom	201.8	22.1	170.0	14.1	155.3	11.6
United States of America	246.8	16.0	165.7	13.8	192.7	16.4
France	87.7	9.6	159.3	13.2	85.0	7.2
West Germany	74.8	8.2	121.1	10.1	105.9	9.0
Japan	67.4	7.4	90.0	7.5	190.2	16.2
Italy	55.2	6.0	64.0	5.3	67.0	5.7
Australia	42.6	4.7	50.6	4.2	61.8	5.3
Rest of World	258.8	26.0	302.0	31.8	335.5	28.2
Total	915.1	100.0	1,202.7	100.0	1,173.9	100.0

Source: Rubber Statistics Handbook 1954, 1959 and 1962.

In 1954 exports to Japan amounted to \$67.4 million or 7.4% of total rubber exports of the Federation of Malaya. By 1959 this figure had increased to \$90.0 million or 7.5% of total exports. A further improvement was seen in 1962 in which year exports amounted to \$190.2 million or 16.2% of the Federation's exports. Thus it can be observed that though in 1954 Japan ranked as only the 5th most important export market of Malayan rubber by 1962 she was only next in importance to United States of America. The increase in exports of rubber to Japan particularly after 1960 has been the result of the trade pact* signed between the two countries in 1960 whereby Japan ensures the maintenance of markets for the Federation's main exports to Japan.

* See Appendix.

principally rubber, tin, iron-ore and timber. Figures for rubber exports to Japan in relation to Malayan rubber exports to the outside world, for the period 1954-1962 are set out in Table 8.

TABLE 8

MALAYAN EXPORTS OF RUBBER TO JAPAN 1954-62

Years	Rubber Price*	Total Malayan Exports '000 (Tons)	Value of Malayan Exports (\$M)	Exports to Japan '000 (Tons)	Value of Exports to Japan (\$M)	% of Malayan Exports
1954	66.59	915.1	1318.1	67.4	44.16	7.4
1955	111.48	994.2	2322.2	71.4	77.14	1.2
1956	94.92	983.3	2054.6	72.2	68.80	7.3
1957	87.17	1002.2	1947.2	65.4	67.00	6.5
1958	77.42	1079.9	1794.9	68.4	52.14	6.4
1959	100.40	1202.7	2593.1	90.0	91.13	7.5
1960	106.50	1077.5	2536.7	71.5	76.30	6.6
1961	82.73	1169.4	2075.8	146.2	121.00	12.5
1962	75.81	1173.9	1935.1	190.2	146.00	16.2

Source: Rubber Statistics Handbook 1954 - 1962.

The exports of rubber to Japan have since 1954, been above the 60,000 tons level, the lowest figures being recorded in 1957 and the highest in 1962. There has been a steady increase in the export tonnage, export value as well as percentage of total Malayan rubber exports since 1954. The exceptions are 1957 and 1958 when only 6.5% and 6.4%

* Rubber prices are the average of R.S.S. 1, R.S.S. 2 and R.S.S. 3, prices for each year.

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1955	111.48	994.2	2322.2	71.4	77.24	1.2
1956	94.92	903.3	2054.6	72.2	68.80	7.3
1957	37.17	1002.2	1947.2	65.4	67.00	6.5
1958	77.42	1079.9	1724.9	68.4	52.34	6.4
1959	100.40	1202.7	2593.1	90.0	91.13	7.5
1960	106.50	1077.5	2586.7	72.5	76.30	6.6
1961	82.73	1169.4	3075.8	146.2	121.00	12.5
1962	75.81	1173.9	1985.1	190.2	116.00	16.2

Source: Rubber Statistics Handbook 1954 - 1962.

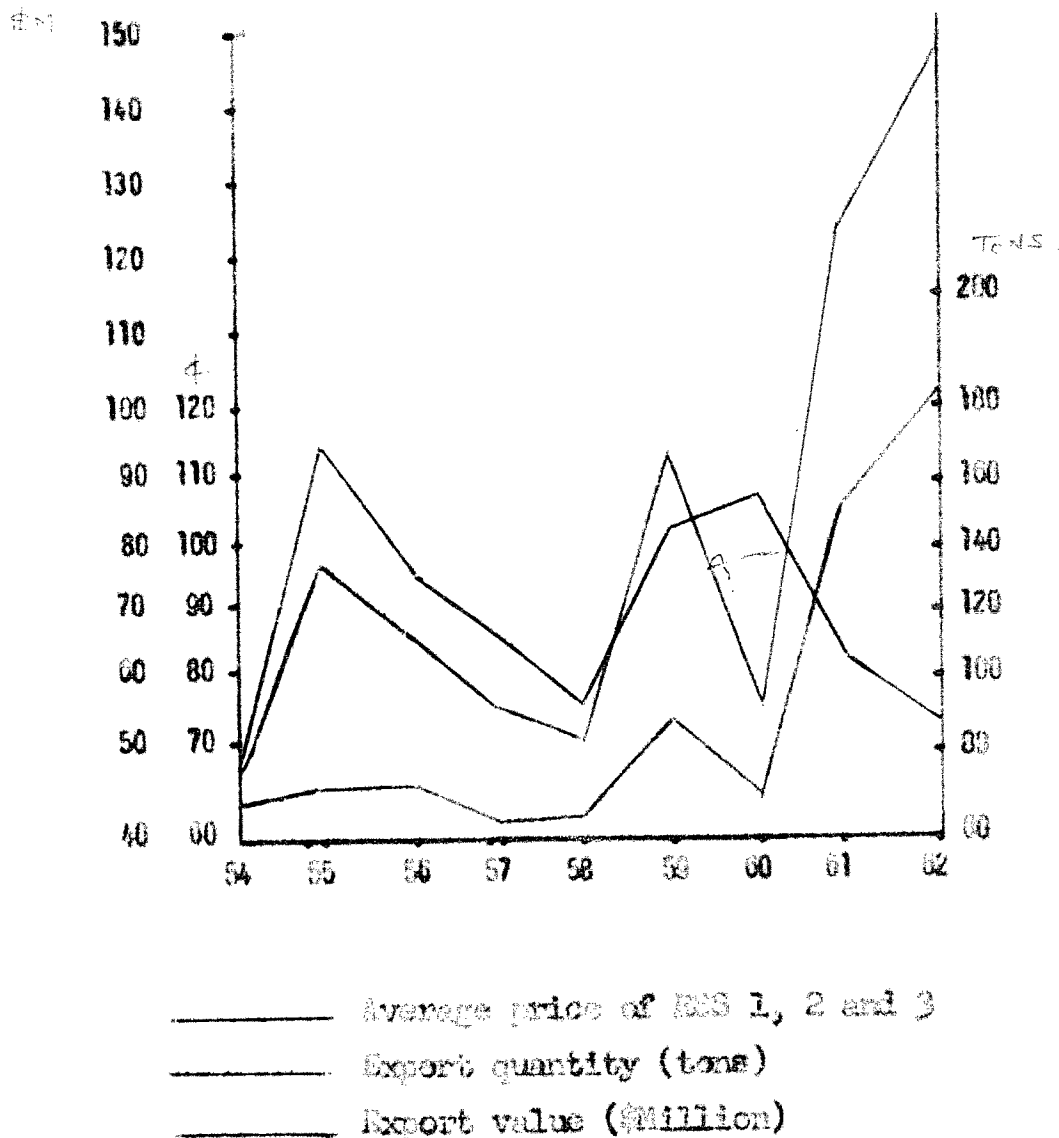
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respectively, of total Malayan exports were exported to Japan.

The value of rubber exports has also been increasing over the past decade. Value of rubber exports however is a function of prices and as such, the annual values have been fluctuating according to the world price for rubber. In 1954 total value of rubber exports to Japan amounted to approximately \$45/- million. 1959 saw an increase in this value to \$91/- million and to an all time second of \$146/- million in 1963. Though price of rubber largely determines the total value of exports, the quantity of rubber exported is also of significance. It is possible that a drop in price can be mitigated by an increase in quantity as was the case in 1962, though the price of rubber dropped from 82.75 cents per pound in 1961 to 75.81 cents per pound in 1962, there was an increase in quantity exported from 146,200 tons to 190,200 tons resulting in an increase in the value from \$121.00 million in 1961 to \$146.00 million in 1962. The trends in the prices, quantity exported and export value of rubber to Japan are shown in Diagram II.

DIAGRAM II



The future for rubber exports

Exports of rubber to Japan are likely to increase. It has been noticed that rubber exports increased in value from \$45/- million in 1954 to about \$146/- million in 1962. Exports of rubber to Japan largely depends on Malaya's ability to supply rubber at prices competitive to synthetic rubber. Unless this can be done, consumption of synthetic rubber by Japan is likely to increase faster than that of natural rubber. While natural rubber consumption of Japan as percentage shares of world consumption remained at 8.8% in 1962 and 1963, her share of consumption of synthetic rubber increased from 4.8% in 1962 to 5.3% in 1963. However, one relieving factor is that Japan's overall consumption of rubber has been expanding at an increasing rate. In 1961, consumption was at an all time high, with the result that Japan displaced West Germany as the third largest non-communist rubber consumer. Much of the increasing rubber consumption needs is being met by Japan herself with her domestic production of synthetic rubber which reached 63,000 tons, following the commencement of full-scale production operation. The consumption of natural rubber by Japan depends largely on her production of related goods. For instance, rubber consumption rose to 146,200 tons in 1961 from 71,500 tons over the previous year mainly because the motor industry in 1961 grew enormously in size production being 70% higher than the previous year.

Though rubber exports are likely to increase for a few more years, it looks as if the increases in demand will be met primarily by an expansion of domestic production and imports of synthetic rubber rather than by higher imports of natural rubber. Malaya's problem regarding rubber exports is therefore one of competing with synthetic rubber and a solution can be possible only through efficient production so as to reduce prices of natural rubber.

C. Trends in mineral exports

The minerals mined in the Federation of Malaya, mainly tin, iron-ore and bauxite are of high quality and are constantly demanded by the outside world. Mining of other minerals such as columbite and tungsten are less intense and therefore yield less revenue. This study is mainly concerned with the exports of tin iron-ore and bauxite. Japan has for a long time been important export market for these minerals.

Tin, the most important of all Malayan mineral exports, is exported mainly to United Kingdom, United States of America, India, France and Japan. In 1954 Japan ranked as the 4th most important export market of the Malayan tin. In 1959 her competitive position was improved and Japan became next in importance only to U.S.A. Since then Japan has remained in the same position.

Table 9 shows the competitive position of Japan as an export market of Malayan tin for the years 1954, 1959 and 1963.

Table 9
MALAYAN EXPORTS OF TIN

Countries of destination	1954	1959	1963
Total exports of Malaya-	70,230	11,671	56,119
United Kingdom	4,975	102	1,955
France	2,914	382	4,388
United States of America	40,429	22,560	34,481
India	3,968	3,616	4,478
Japan	3,722	2,565	10,319
Others	14,242	9,146	7,498

source: Department of Mines Statistical Bulletin.

Japan has been relying on Malaya for much of her tin supplies in the past. This dependence of Japan is likely to continue especially in view of the agreement* signed between the two countries, which ensures an increase in trade between Japan and Malaya. The reliance of Japan on Malaya for her tin supplies is shown in Table 10.

* See Appendix.

TABLE 10

MALAYAN EXPORTS OF TIN TO JAPAN 1954-1962

Years	Total Malayan Exports ('000 tons)	Exports to Japan as percentage of total	Japan's total tin consumption ('000 tons)	Total Exports to Japan ('000 tons)	Malayan Exports as percentage of Japan's consumption
1954	70,310	5.2	5,400	3,722	68.1
1955	71,263	6.1	5,770	4,324	74.1
1956	73,279	9.4	7,913	6,822	85.9
1957	75,601	9.6	8,210	6,715	81.6
1958	102,814	14.0	9,625	7,001	72.1
1959	111,671	19.9	11,601	8,565	73.6
1960	76,367	14.4	13,900	10,796	77.2
1961	76,025	13.8	14,319	10,629	74.5
1962	94,119	17.1	13,600	10,219	75.2

Source: Department of Mines Statistical Bulletin 1954-62.

It is evident from the above table that exports of tin to Japan have not been stable. This can be attributed to the fact that Malaya being a member of the International Tin Agreement has to, restrict exports during export control periods*. In spite of the fluctuations in total tin exports, exports to Japan have been increasing since 1954.

* T. Y. Hoong. The Domestic Implementation of the 1953 International Tin Agreement in Malaya - "Domestic export control measures were enforced in Malaya from December 15, 1957 when control of exports was introduced for the first time under the 1953 agreement."

The table further shows the heavy reliance of Japan on Malaya for her supplies of tin in the past decade. In 1954 68.1% of Japan's needs were met by Malayan exports. This percentage figure increased to 75.2 in 1962.

The future for tin exports

The future of tin, like rubber, largely depends on its price. When prices are high, domestic production increases and therefore exports. Thus in July 1960, 20 marginal mines stepped up production when prices were highest since the Korean boom. Being a function of price, a phenomenon that is subject to not only economic forces but also political in the present world, domestic production cannot be stable for any length of time. Added to this is the fact that many of the smaller mines now operating are of marginal character and the question of how long they can remain active depends to a great extent on the future movements in the price of tin. Tin, being a wasting asset, is likely to exhaust within a foreseeable future. However while it lasts Malaya can be assured of export markets like Japan whose consumption of tin is ever increasing. Exports of Malayan tin to Japan as percentage share of Japan's total consumption has increased since 1954. In that year 68.1% of Japan's consumption was supplied by Malaya and in 1962 this figure increased to 75.2%, the highest since 1958.

Iron-ore

As a resource earner, iron-ore was next in order of importance and is principally exported to Japan. Small quantities are exported to Formosa and Holland. Malayan iron-ore containing mostly hematite and partly limonite is of high grade, heavy content. The iron-ore exported to Japan is chiefly used by the Japanese steel and iron industry, which depends almost entirely (90%) upon imported ore. In view of this, exports of Malayan iron-ore largely depend on production in the Japanese steel and iron industry. The dependence of Japan on Malayan iron-ore in relation to her total requirements is shown in Table II.

TABLE 11

MALAYAN IRON-ORE EXPORTS 1954-1962

Years	Total Malayan Exports ('000 tons)	Exports to Japan of Malayan Iron-ore	Exports to Japan as percent- age of total	Japan's total iron-ore consump- tion (tons)	Exports to Japan as percentage of her consumption
1954	1,060,482	1,039,426	98.0	4,267,000	23.6
1955	1,529,263	1,505,204	99.1	5,769,000	26.5
1956	2,449,296	2,377,224	99.1	7,923,000	30.7
1957	2,719,739	2,676,661	98.9	8,650,000	30.3
1958	2,591,374	2,397,100	92.7	7,437,000	31.6
1959	2,76,239	2,721,200	95.1	11,240,000	24.0
1960	5,930,372	5,370,777	97.2	15,144,000	33.9
1961	6,435,054	6,321,954	99.9	21,239,000	31.6
1962	6,441,112	6,391,971	99.5	22,445,000	28.2

Sources: Department of Mines Statistical Bulletins 1954 - 1962.

It is apparent that iron-ore exports to Japan are following an increasing trend. Though Japan depends substantially on Malayan exports, it can be seen that after 1960 her purchases of Malayan iron-ore as a percentage of her consumption has declined to some extent. This, however, is the result of her increasing consumption and is not due to a reduction in Malayan exports. In fact Malayan exports of iron-ore to Japan has increased substantially during the period of study, 98.0% of Malayan iron-ore found its way to Japan in 1954 and in 1962 this percentage figure increased to 99.5%.

The export earnings from iron-ore is of significance to Malaya. In 1954 total revenue from this source amounted to approximately \$30/- million. This value increased to almost \$100/- million in 1959 and to \$166/- million in 1962.

In some ways the prospects for iron-ore do not appear to be too bright. The exports of iron-ore largely depend on production in the Japanese iron and steel industry. The Japanese steel industry's recent long term forecasts of iron-ore imports, estimates a reduction of 24%. The Federation of Malaya exported 7.72 million tons in 1963. According to the forecasts, exports will decline annually at an accelerating rate to 7.46 million tons in 1964, 7.25 in 1965, 5.98 in 1967 and 3.03 in 1970.* These estimates have been made on the assumption that the Federation's iron-ore reserves are beginning to tail off. The position of many of the smaller mines would bear out this hypothesis: 13 such mines ought to exhaust their reserves within the next 2 years, a loss in output of some 1.5 million tons. It is estimated that by 1969 only 8 of the 29 mines active at the end of 1963 will be in operation, including the 2 large mines at Rompin and Bukit Besi. According to another estimate small potential mines will be operating within the next two years to compensate for the output of the present declining mines. An estimate of over 6 million tons a year for the next decade therefore seems reasonable. "One of the most hopeful signs is that in an extremely competitive export market, the 2 large mines, which together should account for an annual minimum of 5.5 million tons in the next 10 years, have indicated that they can produce at lower prices".† On balance therefore the outlook for the iron-ore mining industry which ranks after rubber and tin as the foreign exchange earner, seems to be reasonably assured.

Bauxite

Bauxite is the third most important mineral export to Japan. Like iron-ore, almost all the bauxite mined in the Federation is exported to Japan. Total exports of the Federation's, and exports to Japan of bauxite are shown in Table 12 for the period 1954 - 1962.

* Economic Survey of Japan (1962 - 1963) pg. 47.

† Three Monthly Economic Review. Federation of Malaya
No. 42 June 1963 pg. 10

+ Ibid. pg. 11.

TABLE 12

FEDERATION EXPORTS OF BAUXITE 1954-62

Years	Total Federation Exports ('000 tons)	Exports to Japan ('000 tons)	Percentage of Federation Exports
1954	167,290	118,236	70.7
1955	257,442	210,600	81.8
1956	251,853	200,833	80.1
1957	345,674	306,904	88.8
1958	246,605	231,600	93.9
1959	363,807	345,190	94.9
1960	447,998	354,175	79.1
1961	284,315	259,745	91.4
1962	311,858	293,710	94.2

Source: Department of Mines Statistical Bulletins 1954 - 62.

Japan depends entirely on foreign supplies for bauxite. From 1957 onwards the trend in exports of bauxite continued upwards, reaching a peak in 1960.

Exports of bauxite will probably assume a steady increase. This is based on the fact that Japan depends entirely on foreign supplies for bauxite being entirely without any output of her own and that she depends mainly on the Federation bauxite for her consumption. A very high portion (92.2% in 1962) of the Federation's bauxite is being exported to Japan.

Responsible for the expanded Japanese demand for minerals was a rapid increase in industrial production in 1956 and 1957. In 1956 industrial production increased by 24% over 1955 and in 1957 the figure was 18% above 1956 production level. The increase was mainly in the machine industry, the biggest consumer of metals. In response to the brisk demand, an overall increase was seen in the Federation's exports to Japan of almost every item. In 1958 there was a decrease in her exports of metals to Japan, especially bauxite and iron-ore. Causes for the decrease in Federation exports in that year were the fall in

consumption in the related Japanese industries and the release of stocks and also the import boom of Japan, in the previous year. Exports of main metals took an upward turn in 1959, but was still far short of the 1957 level. There was a further increase of exports in 1960, when industrial production increased by 30% over the 1959 figure. This was due to "streamlining of production and expansion of equipment in the metal manufacturing industry of Japan." Consequently, imports of metal materials, including tung from the Federation increased steadily. In 1961 mineral exports to Japan remained almost unchanged. There was a slight decrease in the Federation tin exports, an increase in iron-ore, but a decline in bauxite exports. 1962 saw a slight decrease in total Federation exports of metals. This was "due to the stagnant condition of consumer industries of Japan brought on by the tight monetary policy effected by the government."^{**}

The outlook for the other commodities is also bright. Japan is expected to buy large quantities of Federation timber especially meranti and merawan which are unpopular, in the Federation. A new market is expected to be open for what had up to now been considered useless timber by Federation sawmillers. It is estimated that between 12,000 and 15,000 tons of the two types of timber will be exported annually.

The Federation of Malaya will also be able to export canned pineapples to Japan under the 1960 Agreement on Commerce. Previously Japan depended mainly on Ryukyu and Taiwan for her canned pineapples. Up to 1960 Federation did not export canned pineapples to Japan. In 1961 the export value of this item amounted to \$273,000. The value however showed a sharp decline in 1962 to \$90,000. Exports of canned pineapples is likely to increase when Japan introduces import liberalization for this item, which has been postponed for the time-being in view of the important role played by the pineapple industry in the Ryukyu economy.

* Foreign Trade of Japan. Publication by JETRO. 1959 pg. 107.

** Foreign Trade of Japan. Publication by JETRO. 1963 pg. 132.