

## CHAPTER VI

### CONCLUSION

The iron mining industry of Malaya is very closely tied to Japan. This manifests itself in various ways.

In many local mines, it is common to find Japanese technicians and managers working alongside Malaysians. In the financial side, Japanese trading firms and steel mills form joint ventures or have part control with the local people. In fact it is not uncommon to find Japanese in the board of directors in such firms. The export of the ore material is also entirely handled by the buyer's agents which are the Japanese trading companies stationed in Malaya. Today Japan takes virtually all the iron-ore exported from this country. It is therefore not at all surprising to find the very close connection between the business condition in the iron and steel industries in Japan and the prospects of iron mining in Malaya. In as far as iron-ore is concerned, Malaya is very dependent on Japan. Under such circumstances it is inevitable that the iron mining industry is open to great risks.

As long as Malaya can supply Japan with ore of suitable quality at suitable prices, the worry is not too great. At the present moment, Malaya can still market iron-ore at a profitable price. However, once keener competition arises and other countries are able to supply at a lower price Malaya is bound to lose her market.

Malaya may have the advantage of being geographically nearer to Japan than most of her present and potential competitors. However, in terms of richness of the ore she tends to be at a disadvantage. Both India and Australia have, in general, ore with over 60% of iron but the average basic percentage of the ore marketed here is only around 59 to 60%.

Malaya is also so situated that transport costs has isolated her from alternative markets in the United States and Western Europe. Therefore the lack of sufficient markets is the main problem facing Malayan producers.

One of the methods suggested for alleviating the situation of the miners in the face probable declining demand by Japan in future, is the creation of Malayan demand for the iron-ore. In this context, a joint Malayan-Japanese venture has been formed. This company

will use local iron-ore.<sup>1</sup>

Another basic problem is that the Malayan iron mining industry is too dependent on Japanese economic conditions, something which the Malayan miners came to realize in the early parts of 1962. Cases showing the close dependence of the one to the other can be easily cited. For example, in 1959 Japan's steel production increased by 37%. Within the same year Malayan export of iron-ore increased by about 46% while production rose by nearly 50%. Malayan iron-ore producers should be well aware of the shortcomings of being too dependent on one country.

In conclusion, Malaya must try to market her ore as profitably as possible. This cannot be done unless there is a more balanced bargaining power. Malaya's position can be greatly enhanced with the formation of a central selling agency. Large importing countries have centralized buying agencies; there is no reason why Malaya as a seller should not have one. In fact the question becomes more urgent when we bear in mind that iron-ore is a wasting asset.

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