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The Investment Conflict between British and Japan in the Federation of Malaya After the Second World War, 1946-1956

ABSTRACT: The focus of this study is to unravel the conflict between British and Japanese investments in the Federation of Malaya from 1946 to 1956, after the Second World War. The method used in this study is based on the method of observation of the resources available in Libraries and the National Archives of Malaysia. After Japan’s defeat in the Second World War, on 15 August 1945, between the months of September 1945 until 1 April 1946, the British administration of Malaya back through the BMA (British Military Administration) with all Japanese assets in Malaya was placed under the British Custodian of Enemy Property. Meanwhile, the priority of the United States of America policy after the Second World War was to stop the spread of Communism during the Cold War. The United States of America saw Southeast Asia as a natural market for Japanese goods and a source of raw materials for the Japanese industry, also as an alternative to relations with the Chinese Communist government. The Federation of Malaya’s iron ore mining is considered important to the United States of America effort in connecting Japan and Southeast Asia. Although it led to friction with the British, but their main interest is to overcome the Communist threat in the region, especially from China. Japan did not indicate significant interest on the question of retrieving the whole importance of their economies to the extent as it did before the war, there was only an effort to recover their position in the Federation of Malaya’s iron ore mining.

KEY WORDS: United States of America, British, economics interests, Japan, and Federation of Malaya government.

INTRODUCTION

The study looked at the involvement of the Japanese economy in the Federation of Malaya, particularly in terms of investment, that contribute to the importance of this study, because it identifies the scale and scope of economic relations between Japan and the Federation of Malaya in the context of British rule. The analysis will also focus on the British government policies, either promote or oppose Japanese investment in the Federation of Malaya. Answers to these questions will provide the basis for determining the level of the relationship and understanding between the British government and Japanese businesses in the Federation of Malaya.
While the study of Ezra F. Vogel (1979); Ian Nish ed. (1982); Roger Buckley (1982); Endymion Wilkinson (1983 and 1991); Carl Pagels (1984); Yasuhiro Hayasaki (1990); Steven L. Rosen (2000); Edwin P. Hoyt (2001); G. Kurt Piehler & S. Sidney Pash eds. (2010); Evan Mawdsley (2011); John Lukacs (2013); David Kahn (2014); Michael A. Barnhart (2014); Peter Lowe (2014); and Herbert Feis (2015) discussed the history of conflict between Japan and Western countries, in terms of politics, social, and economics at the international level. This study will equip these sixteen studies through the analysis of the conflict between British and Japanese investments in the Federation of Malaya after the Second World War, 1946-1956. Akira Iriye & Warren I. Cohen eds. (2015)'s study are important, because it touched about the Japan – United States of America cooperation after the Second World War. Although Junko Tomaru (2000)'s study touched the investment conflict between Japan and British in the Federation of Malaya, the study will complete his study through the use of local resources.

BRITISH AND JAPANESE ECONOMIC INTEREST AND INVESTMENT CONFLICT IN THE FEDERATION OF MALAYA

In 1947, President Truman stated the priority of the United States of America policy, after the Second World War, was to stop the spread of Communism, and the United States of America will provide assistance to other countries in this process. It also marked the beginning of formal admission of the United States of America in the Cold War (Roberts, 1949:6).

To make Japan as a close ally in the Cold War, the United States of America began to encourage Japan to strengthen economic ties with South East Asia. The United States of America saw Southeast Asia as a natural market for Japanese goods and raw materials for Japanese industry, as well as an alternative to relations with the Communist government of China (Tomaru, 2000:95). The ESD-SCAP (Economic and Scientific Division of the Supreme Commander of the Allied Powers), under General William Marquat, has also led to the foundation to connect Japan’s economic recovery and development in Southeast Asia by helping Japan to get raw materials in addition supplying adequate capital and consumer goods required by Southeast Asia.

SCAP (Supreme Commander of the Allied Powers) sent a joint mission of the GHQ (General Head-Quarters) and Japan called K.D. Morrow’s mission to investigate the availability of raw materials and review projects for their development in Southeast Asia and South Asia in July 1951 (Tomaru, 2000:95). British showed dissatisfaction with Morrow’s mission as GHQ not negotiates with them about the visit of the mission to the British provinces, and they were informed just days before the mission departed for the purpose of obtaining visas for members.

Despite the British negative reaction, K.D. Morrow’s mission open space for the benefit of Japan in the development of mining in Southeast Asia. From July 1951, the MITI (Ministry of International Trade and Industry) of Japan began to draw up plans for the development of iron ore mines in India, Goa (Portuguese), the Federation of Malaya, and the Philippines (Tomaru, 2000:96-97).

In August 1951, the formula proposed by General William Marquat, SCAP occupation Chief Economist to develop trade relations between South East Asia and Japan is Southeast Asia will supply the raw materials and labor, Japan will provide technical expertise and equipment, and the United States of America will provide funds. This formula can prevent Japan from relying on the huge Chinese market.

Japanese entrepreneurs and politicians are also happy to receive all the encouragement and help in building a subsidized monopoly in South East Asian countries as a source of raw materials. They also have the advantage of the United States of America’s aid on competition with British entrepreneurs in the region. To make Japan as an industrial partner in the Far East, the United States of America hoped to provide the raw material supply and guaranteed market for the revival of Japanese industries.¹

According to the SCPA Trade Advisor, K.D. Morrow, if Japan intends to lease

natural resources in Formosa, Indo-China, the Federation of Malaya, Indonesia, New Caledonia, Portuguese Goa, and Burma (Myanmar now) whose construction is halted, neglected or unexplored, the United States of America will approve loans and other financial aid to Japan (ibidem with footnote 1).

The Federation of Malaya's interest in Sterling Area is reflected in a meeting between the British Prime Minister, Winston Churchill, with President Truman of USA (United States of America) in Washington in January 1952. The Federation of Malaya was included as part of the defence plan for the anti-Communist in Southeast Asia drawn up by British, the United States of America, and French. British and the United States of America also agreed that although there are various problems that affect relations between the two countries in the Far East, but their main interest is to overcome the Communist threat in the region, particularly from China.

For this, they (British and the United States of America) are willing to join hands in organizing measures to strengthen the defence of Southeast Asia. Both countries decided to take a new view simultaneously on the Southeast Asian region rather than took the view differently like before and try to harmonize their views.2

A total of six Japanese citizens, which is representative of Kokan Mining Company, have been refused their request to enter the Federation of Malaya to investigate local conditions before taking control of the Temangan mine in Ulu Kelantan. This is in line with the policy of ensuring that Japan citizens are out of the Federation of Malaya at this time.3

In December 1952, with the objective of obtaining a stable supply of iron ore, the Committee for Overseas Resources for Steel Industry was formed by leading steel makers with the help of the Japanese government to enable them to buy iron ore together. The United States of America and Japan have a high interest in the Federation of Malaya’s iron ore mining that is close proximity to Japan. K.D. Morrow expects Rompin iron ore mine project with EMMCO (Eastern Mining and Metals Company), a European company can realize the unification of Japan industry and technic with Southeast Asia’s economic development, as planned in the United States of America’s economic aid to South East Asia.4

The Federation of Malaya’s iron ore mining was considered important in the United States of America order to connect Japan and Southeast Asia (Tomaru, 2000:97). Kokan Kogyo proposed to develop the Temangan mine, as it is the operator of the mine before the war. Incidentally, a United States of America’s trading company, Metal Export Inc. in Tokyo, plans to buy the Temangan mining lease from a Chinese holder, and asked Kokan Kogyo to resume mining as a joint venture with capital from Japan Export Bank (Tomaru, 2000:98).

Both Rompin and Temangan mines see consolidation between Japanese mining industry and the Federation of Malaya, which started quickly on the strong support from the United States of America. However, this integration also saw the intervention of the British authorities in the Federation of Malaya and London. But, there are also British concerns over Japan handle in proposed loans for Rompin projects and the risk of project control switch to the Japanese. For Temangan project, the fact that Metal Export unable to do any preparatory work leading to the government realized that Metal Export is the only protector to Japan’s interests (Tomaru, 2000:99).

An official of the Colonial Office in London, J.D. Higham, compared Rompin and Temangan projects. In Rompin project, British deal with British company and the issue is how to ensure that the loan from Japan do not lead to control of the operation by Japan. In Temangan project, the control of the mine and most of the capital is from Japan, with the United States of America’s company as sole protector. The Japanese company also mines the same operator before the war. Recognizing the nature of Temangan project, the Federation of

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Malaya's government, that was more cautious than the Singapore government in the entry subject of Japanese individual, immediately rejected Kokan Kogyo application entry for six Japanese reconnaissances. Kelantan government has also rejected Metal Export to renew the lease (Tomaru, 2000:99).

The Chief Commissioner, MacDonald, noted that the Federation of Malaya government prefer to receive a transparent and detailed plan directly from the Japanese themselves and their allies rather than negotiating with brokers and speculators who operate on their behalf. Another British officer in the Federation of Malaya warned his colleagues that these projects can be a precursor to economic penetration of the Federation of Malaya indirectly by Japan. Earlier in September 1951, MacDonald has been reported about the concern of Japanese economy aggressive expansion through the concession to exploit the mineral resources and the development of its export trade, has brought in many technicians and business people into British territories in Southeast Asia to get a great grip in economic and commercial development (Tomaru, 2000:100).

The United States of America mounting pressure felt by the British representatives in Southeast Asia. In November 1951, they had agreed in Bukit Serene Conference that high-level talks with the United States of America government about the Japanese position in South East Asia should be held at an early stage in order to make sure the United States of America support for Japan businesses in East Asia do not harm British interests, which led to an Anglo-American shift in the Far East (Tomaru, 2000:104). The Foreign Secretary also recognizes the negative impact on British interests should prevent Japan's participation without adequate support from other countries or receive entries with a heavy heart (Tomaru, 2000:105).

The trip of Japanese government representatives, Nemoto Ryutaro and Ogata Taketora, to the Federation of Malaya and their meeting with MacDonald to explain Japan's intention to resume peaceful relations with South East Asia in the first half of 1952, can be regarded as Japan's efforts to soften the British local authorities attitude towards the Rompin and Temangan projects (Tomaru, 2000:101). SCAP (Supreme Commander of the Allied Powers) stated, in March 1952, that the officers of the Federation of Malaya had agreed to allow Japanese nationals working in mines that are developed by them before the war, but British officials have rejected all visa applications submitted by the Japanese since the San Francisco Conference. To seek approval for the participation of Japan, SCAP urged the army to connect with the State Department in order to put pressure on the British (Borden, 1984:209).

There is a general view in Japan, at this time, that it is still not appropriate for Japanese firms to open branches in the Federation of Malaya. This is because there are still difficulties in the entry of Japanese businessmen to this country until after the ratification of the peace treaty with the British reached. Many Japanese firms are keen to send a representative for the purposes of the examination before making a decision to open a branch.5

In May 1952, officials of the Foreign Office maintained their stance on the importance of Japan's contribution to the Federation of Malaya's development. They consider that the Federation of Malaya government eventually has to reconsider their objections to the inclusion of the Japanese, if it could help the Federation of Malaya's natural resources fully utilized and also the Federation of Malaya's iron mining will be idle without Japanese exploiting. Although the Foreign Office agreed that anti-Japanese sentiment is still high in many parties, at the same time Japan cannot be separated from the development of Southeast Asia forever if seen the long term interests for British and the Federation of Malaya. Foreign Office also considers that the Federation of Malaya government has acted emotionally to prevent Japanese entry (Tomaru, 2000:106).

In the same month, the Colonial Secretary had sent a circular entitled “Mining Policy” to all British colonial governors. In the circular, he acknowledged the lack of government

5News on "Japan Ready to Start Big Trade Drive" in The Straits Times, 23 April 1952, p.7.
funding and private capital to develop the mining industry in each area. He stressed that foreign investments cannot be avoided and urged security measures to prevent control falling into the hands of foreign parties and ensure the participation by local governments or private investors (Tomaru, 2000:105).

Some officers of the Foreign Office in London, that support the inclusion of Japanese to the Federation of Malaya, claimed that in view of British interest, expenses and technical skills for the development of iron ore mining in the Federation of Malaya was very limited, it is not fair to prevent the participation of Japan. What should be avoided by British is putting themselves open to the propaganda of Japanese pre-war that the Western powers have monopolized Asian sources. Foreign Secretary recognized the negative impact on British interests should prevent Japan the participation without adequate support from other countries or receive entries with a heavy heart (Tomaru, 2000:105).

A more decisive argument that emerged from the group of British officers, who support the inclusion and participation of Japan in the interest of the Federation of Malaya’s development and the expected contribution of Japan to it. Iron ore mining has been listed by the Colonial Office as one of the hopes industry to develop the Federation of Malaya’s economy after the Second World War and Emergency with the Japanese expected by the Foreign Office to play an important role as it will provide capital and technical skills that are not available to the industry.

Coupled as unfavorable industry environment, financial assistance to the mining sector has been reduced substantially by the British authorities (Rudner, 1968). There is growing awareness among British officers in the Federation of Malaya and London that final success to defeat the Communist depends on the social and economic development as well as police and military operations (Tomaru, 2000:105).

The Colonial Office showed sympathy with the Foreign Office views, because they were aware of the gap between the financial needs of the colonies and financially available from British sources. Foreign Office expects the Federation of Malaya government to change their attitude. In June 1952, the British Embassy in Tokyo also undertake economic benefits to the Federation of Malaya and Japan, if Japan allowed to develop iron ore mines in the Federation of Malaya (Tomaru, 2000:105).

Investment relations between the Federation of Malaya and Japan can be improved, if the current weight restrictions on the entry of Japanese employees repealed. This restriction has prevented many Japanese traders and financiers came to the Federation of Malaya to promote better trade relations. Before more Japanese investing in the Federation of Malaya, a group of technicians and experts has to come first to review investment possibilities. The importance of the Federation of Malaya to Japan is currently concentrated in the sectors of iron and bauxite.6

The Foreign Office and the Colonial Office views in favor of Japan’s participation in the development of the Federation of Malaya can be seen through the visit of the Chief Commissioner, MacDonald, who represented both in Japan in July 1952. During the visit, the Foreign Minister of Japan, Okazaki, stressed Japan’s need for access to the market and resources in Southeast Asia and his desire to help the development of the region. In addition, the Kokan Kogyo President also met MacDonald and expressed his particular demand for Japan’s entry into the Temangan project. In return, although MacDonald urged Japanese slowly entry as anti-Japanese sentiment is still high, he recognizes the need for Japan cooperation in the development of South East Asia and promised his cooperation to overcome this problem (Tomaru, 2000:106-107).

Japan keen to invest capital in iron ore mining, bauxite mining, and rubber plantations in the Federation of Malaya. They want to get all the iron ore that is available by bringing in equipments and technicians to the Federation of Malaya to open a mine that does not work since the war. For areas affected by Emergency, they will provide security guards. But, all this will not happen

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until the restrictions on the entry of Japanese businessmen to the Federation of Malaya withdrawn.7

Japan must try to show that they want to really create new relationships with people in the Federation of Malaya, which are based on real friendship and cooperation. The Federation of Malaya government was extremely vigilant in protecting local interests. The bitter experience of the local population during the Japanese occupation (1942-1945) would not be so easily forgotten, and it should be understood by the Japanese. To resumed relations formally, business relations and personal relations between the people should be done gradually.8

The Federation of Malaya government decided, in September 1952, that prevention of the entry of undesirable Japanese nationals should be dealt with through administrative act rather than legislative action. If control over the entry of Japanese citizens is better than the Chinese, it can give substance to the Communist propaganda to accuse the government of siding with their former enemies. Thus, the treatment of Japanese citizens should be the same with the Chinese and other foreign races (Tomaru, 2000:114).

The Consul General of Japan in Singapore, in March 1953, filed a formal memorandum to the British High Commissioner in Malaya to apply technicians admission for the Temangan project. Besides describing good intentions and efforts of Japan, also emphasized the benefits of the Federation of Malaya gained as a results of Japanese participation in the development of iron ore mines. However, there is still no proposal from the Japanese side to reduce local concerns (Tomaru, 2000:101).

On the British side, the arguments to justify the inclusion of Japan and participation in the Federation of Malaya's industry conducted by the British Ambassador in London, Esler, and also by the Foreign Office. This was opposed by the Federation of Malaya government, the Board of Trade and the Treasury in London. Colonial Office abstained at first, but later played a key role in influencing all parties to allow the entry of Japan into the Federation of Malaya and participation in iron ore mining.

The main argument against the inclusion of Japan, which is used by the Federation of Malaya government, was agreed by London. They agreed that local communities oppose the re-entry of Japan, based on bitter memories of Japanese aggression and fears of its economic aggression against the Federation of Malaya. However, the British High Commissioner admitted that despite uneasy feeling very strong in British society and other races towards Japan (Peng, 1946:4), it is not shared by the Malays (Tomaru, 2000:101-102).

Another argument against the inclusion of Japan was based on concerns over Japanese competition with British imperial interests. The Trade Board and Treasury are the most sensitive on this issue. Their officials consider that the Temangan and Rompin projects will give Japan access to the raw materials that are cheaper and, thus, improve their competitiveness. Especially in these projects, EMMCO (Eastern Mining and Metals Company) and Metal Export must pay back the financial loan in the form of iron ore exports to Japan. Treasury insists that this will not increase the sterling balances in the Federation of Malaya and would allow Japan to maintain a low cost of raw materials, as well as give its steel industry the advantage over British (Tomaru, 2000:102).

British officers, such as Dening that was favoring the entry of Japan, also stressed the need to maintain Japan in anti-Communist block, by allowing the entry of Japanese into the Federation of Malaya industry. Otherwise, Japan feared would turn to China for markets and resources, such as iron ore on the island of Hainan, as well as political relations with the Communist bloc. Japanese industries will tend to shift their activities to Southeast Asia, if get strong support from the United States of America and financial support too. Throughout the Temangan and Rompin projects conflict, the United States of America continues to promote such projects through its embassy in Japan and consulate in the Federation of Malaya. American Joint Security Agency also expressed...
A willingness to finance loans development of iron ore mines in the Federation of Malaya for Japan (Tomaru, 2000:103).

In June 1953, the Federation of Malaya government declared among important things to restore Emergency situation are taking into account the mining development towards the Federation of Malaya’s iron ore industry particularly involving Japan. Among the chosen area from the Colonial Office and Foreign Office is Temangan, since it is considered non-Communist region began in May 1952, and is considered a good area to start a gradual influx of Japan skilled technicians (Tomaru, 2000:112-113).

In the same month, Oscar Spencer and several officers from the Federation of Malaya expressed their willingness to change the stance of denial to the Japanese entry to its contribution to the development first. To achieve this, they must be willing to compromise, if necessary to accept foreign plant and machinery and to a greater extent in view of the importance of generating the rapid development of alternative industries in addition to rubber and tin in the country. While they realize that there is foreign exchange aspect to be considered, this should be the second issue behind the issue of development (Tomaru, 2000:107-108).

Oscar Spencer also said, in June 1953, that if Japan is allowed to participate in the Federation of Malaya’s iron ore mining, adequate safeguards must be ensured. MacDonald considers the government’s best move to allow the entry of Japanese for settling can start with the entry of Consular Representative and with the new Immigration Ordinance. He expects this Immigration Ordinance will provide for the protection principle rather than the continuity of Japan operations during the war. However, the Japanese government sees this principle as awkward and embarrassing Japan. Therefore, while promising to stick with it, the Japanese government does not want it to be written (Tomaru, 2000:113).

Prime Minister Yoshida announced his determination, in July 1953, to cooperate with Southeast Asia for their development. The following months, the first Consul General of Japan in Singapore and President Kokan Kogyo were visiting the Federation of Malaya’s government Administration Officer and suggested the Temangan project as a joint enterprise between the Federation of Malaya and Japan (Tomaru, 2000:112). Oscar Spencer also noted that the government has long been aware of Japan attempts to penetrate the Federation of Malaya’s economy, particularly in the mining industry with the aim of regaining their positions before the war in Southeast Asian economies.

Some states have received applications for prospecting permits and leases of iron and bauxite mining from the middle person and speculators, who are known or suspected to have the support of Japan or risking fate to get it. Due to the adverse effects left by the Japanese in the Second World War (1939-1945), some local British officials regarded this as a sign of Japan’s efforts to recover their ideas about prosperity in the East. Local officials have asked the British government policy in general and remained on the Japanese inclusion and participation in the mining industry, to replace decisions on Rompin and Temangan projects (Tomaru, 2000:100).

It shows local officials and the Foreign Office and the Colonial Office stressed the importance of the Federation of Malaya’s development to the participation of Japan, compared to the Board of Trade and the Treasury in London that is still worried about Japanese competition with British industries. In the same letter, Oscar Spencer expressed local officials anger to London intervene by saying that this issue is more suitable to be managed by those in the Federation of Malaya itself. At the same time, Japan’s Ministry of Foreign Affairs recognizes the difficulty for Japan to re-entering the Federation of Malaya. This is because the Federation of Malaya was under the direct control of British and they feared rivalry will happen with British interests. For example, in the case of Temangan in June 1952, the High Commissioner urged the Federation of Malaya government to review the Kelantan government to prevent them having an agreement with Japan without giving them the opportunity to provide advance protection measures (Tomaru, 2000:108-109).
The acceptance of non-discrimination policy does not mean some restrictions will not be placed on the entry of Japanese citizens in the same way as other foreign nationals on grounds of public safety, in this case may include anxiety promote hostility between races or destroy the peace. These controls are available in the new Immigration Ordinance and, therefore, they are treated in the same way as other foreign nationals, Japan cannot protest (Tomaru, 2000:114).

The new Immigration Ordinance, which was published in 1953, takes administrative action as a safety measure for the the Federation of Malaya government. By July 1953, in connection with the Temangan project, the Federation of Malaya government set a stake of 51 percent to locals or British capital to prevent Japanese control. In addition, the involvement of state governments in reducing Japan holdings also recommended in Rompin and Temangan projects (Tomaru, 2000:116).

Stressed the anti-Japanese feeling that thickened in British society is not shared by the Malays, the High Commissioner reminded British officers of Japanese better treatment to the Malays during the Second World War. He also warned there might be an influence from the Malays mining experts to accept the entry of Japanese back. From mid-1953, the open door policy of the Federation of Malaya chaired by the Foreign Office and the British Embassy in Tokyo has attracted the support of the Colonial Office and some government officials of the Federation of Malaya (Borden, 1984).

If precautions had been taken, the risk of such espionage activities conducted by mining technicians before the war would not be a serious (Tomaru, 2000:113). Fears of Japan espionage activities, such as pre-war lead the British Defence Coordination Committee for the Far East, propose the establishment of many conditions for Japan in Temangan by using the continuing Emergency situation as a pretext. Kelantan government also proposed to terminate the lease on short notice through the release clause (Tomaru, 2000:114-116).

In relation to the Temangan project, British Embassy Commercial Counsellor in Tokyo appreciated Japan efforts in fulfills the Federation of Malaya’s authority resolution. British officers in various capacities, including the High Commissioner for the Federated Malay States, also expressed their admiration for the lack of protest from Japan (Tomaru, 2000:116-117).

In November 1953, the Iron and Steel Board from the Ministry of Supply in London made it clear that they have no objection to the open door policy. Finally, the Board of Trade also recognize that the development of the Federation of Malaya’s iron ore mining by the Japanese unavoidable and can be accepted as long as there is no outrageous reduction in the prices (Tomaru, 2000:109).

The development of Japanese interests led to the establishment of partnership companies in Singapore to develop mineral ores in the Federation of Malaya believed would not happen. But, if they are successful local businessmen are forced to accept it. There are many problems to be faced by the Japanese, such as foreign exchange. Local residents are also not inclined to accept the return of Japanese traders. If they can do business and make money on their own, of course they will not share it with Japan.9

The High Commissioner stated, in May 1954, that taking into account the importance of encouraging the Federation of Malaya to the Japanese market, the British authorities have concluded that the proposed system of barter using iron ore to repay Japan financial loans in Rompin project must be accepted, if they want continue the development of iron ore mines and, at the same time, ensure a market for their production (Buckley, 1982).

Also in July 1954, an official of the Colonial Office, Cruickshank, reported that the Federation of Malaya government has now accepted the inclusion of Japan (Tomaru, 2000:109-110). Acting Member for Economic Affairs also stated that it has now become clear that the interest of the Japanese in the Federation Malaya’s economy is almost entirely in iron ore mining. The Executive Council of the Federation of Malaya also shared the same view (Tomaru, 2000:112-113).

At the request of the Federation of Malaya

9News on “Jap Miners May Not Return, Chamber Chief Sees Snags” in The Straits Times, 1 February 1954, p.4.
government, from the month of August 1954, the Colonial Office tried hard to persuade the Treasury to agree on barter agreements in Rompin project. The Bank of England also joined the support for the project, because regarded it as a natural development within the Commonwealth and expressed confidence in the Federation of Malaya government to manage these things. In the end, the Treasury relented and expressed their willingness withdrew from active opposition to the proposed barter deal, although it still had the displeasure to it. In September 1954, the Colonial Office stated with relief that any objections in this case will be dismissed as it had been approved at the highest levels (Tomaru, 2000:110).

According to Treasury, the entry of Japanese citizens even after rigorous vetting individual records will give a certain risk. This is because society still haunted by bitter memories of Japanese occupation (1942-1945), the crisis with them must occur (Lowe, 2014). Japanese economic penetration into industries, such as the iron ore mining, will force a decline in commodity export prices which are indispensable in its economy. Both of these things cannot be allowed to take place and any relevant agreement cannot be given at this stage. Japanese citizens will be timely given the same treatment as other foreign citizens in the Federation of Malaya economics. But, any policy for that purpose must be carefully planned and laid out on a limited scale without being influenced by agreement obligations.

Japanese immigration and investment in the Federation of Malaya was a matter that should be reviewed from time to time, especially on the merits of specific development projects. The Federations of Malaya’s trade and immigration policies should be drafted on the basis of the Pan-Malayan through the Singapore government approval. The Singapore government is believed to have similar views on the issues that arise. If there are any differences in policy, both governments must negotiate to reach an agreement policy and decisions of the discussion will be considered by the Council (Lukacs, 2013). The British government should be informed about the Federation of Malaya government views and also advised that the Federation of Malaya will not comply with the Anglo-Japanese treaty unless the proposed agreement contains safeguards or restrictions on immigration and investment in the country (Tomaru, 2000).

The Treasury believes that although the Federation of Malaya’s society hate to see the Japanese citizens re-enter their country, in the long run, it is not inevitable that Japanese citizens should receive the same treatment as other foreign citizens. The Federation of Malaya government should gradually loosen policy now. At the same time, the government felt that it was not timely to allow Japanese citizens, who have a record before the war or during the war to enter the country. It will not be difficult to find any Japanese, who do not have any records in the country and appropriate to enter according to the regulations set by the current administration. Immigration Controller proposal to divide Japanese applicants by category of economic benefits that they will bring is seen difficult and for the moment, the government prefers each application is handled on its merits (Tomaru, 2000).

The Singapore government will approve the Anglo-Japanese treaty should contain the proposed security measures on immigration and investment. Strict immigration controls are mutual policies of the Singapore and the Federation of Malaya governments with any individuals, who are not contributing to the economy of both areas will not be allowed in. In addition to Japanese citizens, foreign citizens of other countries, including Commonwealth countries, also face this procedure. Only a limited number of Japanese businessmen, professionals, and technicians will be allowed to enter and settle here. The question to allow fisheries facilities to the Japanese is under consideration, but at the moment, it is still not allowed. Japan applicant’s activities during the war will continue to be an important factor in approving the application in. The investment
will also apply the same treatment from both governments to ensure common economic interests (Tomaru, 2000).

According to the High Commissioner of the Federation of Malaya, the establishment of Japanese firms in the Federation of Malaya was under the purview of immigration and investment. Therefore, it is not bound to control external trade with Japan that began two years earlier to tackle the country’s balance of payments. Government immigration policies discriminatory against the entry of Japanese citizens at this time, because the bitter memory of Japanese occupation which led to anti-Japanese sentiment. Local unrest would happen, if they were allowed to return. Permit entry of Japanese citizens, as a permanent resident, will be determined based on the same terms that apply to all other foreign nationals (Rosen, 2000).

At the moment the Japanese allowed in the Federation of Malaya, if they intend to join family members who had remained in the country or that they intend to hold technical and management positions associated with major capital investment in the interest of the Federation of Malaya economy. There is no question of allowing the entry of Japanese or other foreign citizens as businessmen, traders, and professionals as it did before the war. Japanese immigration policy into the Federation of Malaya should not be separated from investment promotion policies and activities of the Japanese economy (Hayasaki, 1990).

However, government policy against the inclusion of Japanese investment at the moment is to be careful, however, not entirely negative. Given that Japanese investment is closely related to the entry of personnel and technical management of Japan, the government must ensure the safety and race relations were in a good mood before allowing Japanese nationals to engage in any industry, such as iron ore (Tomaru, 2000).

There are also concerns over the impact of the Japanese economy expansion on the local economy, particularly in iron ore and fisheries sectors. If Japan is allowed to operate freely in both these industries, they will eventually hold a great interest and put their interests far more than the interests of the Federation of Malaya. In the case of iron ore mining, Japan may be able to lower the price of iron ore to Japan that will lead to further losses to national income and government revenue. In the case of fisheries, the Japanese competition will lead to a lot of post-war development efforts futile (Hayasaki, 1990).

National security issues must also be addressed, if there are many small Japanese ships that operate independently from small ports through to the entire coast line of the country. Local fishing industry, that builds individual energy, would be destroyed if operators compete with Japan, which has a high level of technical competence. Each project for investment or Japanese economic activities in the Federation of Malaya will be judged on merit. Permission was given to Japan to inspect their former iron ore mine in Temangan, Kelantan. In this case, Japan becomes a minority shareholder in a company that is associated with British interests (Tomaru, 2000).

The Federation of Malaya government saw the most important control is to the entry of Japanese citizens associated with the investment. There are no controls imposed on Japanese investment. Any major Japanese investment projects in the country will lead to the question of land, especially in the issue of mining lease or grant to agricultural land, mostly at the discretion of the state government. Japanese machinery importation issue at this time is dependent on the merits of each case. This control is not intended to prevent the import of Japanese machinery normally, but will be used if the machine is part of Japanese investment projects. The use of Japanese fishing vessels in the Federation of Malaya was also influenced by immigration control and shipping (Tomaru, 2000).

Japan did not show any significant interest to getting their economic interests to the level as before the war in the Federation of Malaya, there are only attempts to regain their position in the country’s iron ore. It may be because they know that the various controls will be imposed by the government. If the Federation of Malaya to hold a general agreement that gives the Japanese most favored nation status at the moment in terms of immigration,
property holding and shipping, it is no more as a complement to the efforts that have been made (Hayasaki, 1990).

But for Japan, such an agreement would demonstrate the Federation of Malaya government’s key commitment in attracting more qualified Japanese nationals into the country. Government can confer the status of most favored nation in appreciation of Japanese exports to the Federation of Malaya. The government cannot comply with the Anglo-Japanese agreement proposed treaty unless it included clauses that allow the government to use its discretion to pursue its current policies on immigration of Japanese citizens, investment, and the use of country ports by Japanese fishing vessels (Tomaru, 2000).

Singapore government’s policy against the inclusion of Japanese citizens is looser. Japanese residents than those in Singapore before and during the war have received the same treatment as other foreign nationals, and can be visited Singapore for a period of one year. The policy implemented by the Federation of Malaya’s government cannot be enforced forever, when seen commercial relations between Britain and Japan at this time. The police may be loosened to allow the entry level of Japanese citizens residing in the Federation of Malaya before and during the war in the absence of objections from the police to the applicant. This will put the Japanese equivalent to other foreign nationals. Japanese citizen categories who admitted also be determined. This is because the general immigration policy contained in Order (Prohibition of Entry), in 1953, Immigration stating only Japanese citizens who bring economic benefits to the country will be considered in, and they which may threaten the interests of the local residents are not allowed in (Tomaru, 2000).

Japanese citizens’ inclusion proposed in order to be controlled through visits passes in accordance with the Immigration Rules 8 and 9. The issue of the passes type at the sole discretion controller subject to the provisions of rules and conditions may apply to the Visit Pass. Given that Rule 9(6) was amended to extend the period of Visit Pass at the discretion of the controller than six months in the aggregate at the moment, there is no difficulty to extend the Visit Pass to Japanese citizens over the years. The conditions should also apply to the Visit Pass of Japanese citizens that when it remains valid while the holder remains in the work that entitles entry to the Federation of Malaya. This can prevent a person leaving the job and then take a job that is not approved by the authorities (Hayasaki, 1990).

Control over the entry of Japanese citizens by the Visit Pass is easy, because it does not require amendments to the legislation and it allows the control is maintained after the entry of Japanese nationals, where if the entry is through an Entry Permit, there is no requirement that may be imposed under the Immigration Ordinance Regulations to control a person after admission. Japanese citizens, who have entered the Federation of Malaya, will be valid resident and cannot be removed by the government if their activity is not desirable unless exiled (Tomaru, 2000).

Secretary to the Member for Transport, A.H.S. Reid, expressed his opinion that the entry of Japanese citizens to the Federation of Malaya shall be allowed, if there are no objections from the police on the individual. Japanese people residing in the Federation of Malaya, before the war and during the occupation of Japan, should not be allowed in again because that policy would disrupt public order, which still have not forgotten the Japanese atrocities. Member for Transport do not feel no matter how deep the investigation, the police will be able to expect the public reaction first to the presence of Japanese individuals concerned (Tomaru, 2000).

The need to review the policy entry of the Japanese citizens to the Federation of Malaya was due to the intervention of the Secretary General of Singapore, which indicated the British government sees the entry of Japan into the GATT (General Agreement on Tariffs and Trade) cause it is entitled to most favored nation status, and the Federation of Malaya should liberalize policies on the entry of Japanese citizens. As understood by the Federation of Malaya government, the amendment to Article XXXV of the GATT being negotiated between Britain and Japan to enable the existence of a bilateral agreement
on commercial relationships that overcome other GATT rules (Pagels, 1984). At the same time, the proposed agreement will not apply to the territories of the colonial and British protection, including the Federation of Malaya, unless the government accepts the agreement in whole or in part (Tomaru, 2000).

The agreement with Japan, which provides most favored nation service, would benefit Britain that wants to see more of its citizens in Japan than the Japanese. From the Federation of Malaya government perspective, most favored nation clause would be more profitable to Japan, because more Japanese citizens will enter the Federation of Malaya rather than them into Japan. Under these circumstances, the government has not agreed to relax the existing admissions policy. The government also disagreed just as Japanese nationals do not try to open their offices in the Federation of Malaya, due restrictions imposed during the period of time set, the existing policy may be revised (Tomaru, 2000). If the Federation of Malaya and Singapore governents took a joint decision to reviewing immigration policy and allow the Japanese to settle permanently, they must accept the self-same as other immigrants. Those who were allowed to enter must be businessmen, experts, or other classes that can bring benefits to the country.11

The Federation of Malaya government, on 24 October 1955, sees that trading activities in Singapore is very important, and it is normal the Singapore government will look favorably Japanese capital investment for the purpose of trading in Singapore and the establishment of Japanese trading companies as a result. This will lead to some degree of permanent resident for Japanese citizens in Singapore. The Federation of Malaya government argues that the inclusion of Japanese citizens, as permanent resident citizens, can only be justified if they bring in capital investment. The government cannot rule out the establishment of Japanese trading companies and businesses in the country, where the same companies are also allowed to operate in Singapore (Rosen, 2000).

Approval for Japanese citizens permanently residing in Singapore will also give the problems to the Federation of Malaya standard strict in dealing with applications for admission. The decision to refuse the application is not in line with the policy of the Singapore government. If the application was first approved, it is difficult to control the overflow of applications and differentiate Japanese citizens, who have an interest in the Federation of Malaya, and their stay in Singapore to avoid the restrictions of the Federation of Malaya.12

The Federation of Malaya government often accepts visa applications from Japanese geologists and mining engineers that represent Japanese mining companies and manufacturers to check the equipment operating by local companies, so they can provide technical advice for development. This service is provided by mining consulting firms already established in the Federation of Malaya. If a permanent resident in Singapore is allowed, setting up a business that focuses on the purchase of ore cannot be prevented, but in the future may acquire effective control of several mining companies in Johor. Local fishing industry will also face pressure if the Japanese fishing companies may use Singapore as a base. In addition to economic issues, security issues will also arise (Tomaru, 2000).

On 27 October 1955, the Federation of Malaya’s Minister of Natural Resources considers that limited quota of Japanese citizens entry be allowed with to its terms discussed between the Ministers of both regions. Existing restrictions can be relaxed if Japanese’s citizens entry can help local economic development and cannot compete with local residents. If they are allowed to operate in bauxite or iron ore industry, they should focus on those activities only and donot engage in other business (Rosen, 2000). Entry permits will not be restricted until the permit abuse. In the Joint Conference of Ministers in Singapore, on 4 and 5 November 1955, the Chairman of the Conference stated


12See again "File of Ministry of Rural and Regional Development, No.MRD(T)/0.200, n.y. [no year]: Policy Relating to the Admission of Japanese into the Federation of Malaya". Available at the National Archives of Malaysia in Kuala Lumpur, Malaysia.
that the policy together with the Federation of Malaya government should be achieved in respect of the Japanese businessmen re-entry as a permanent resident on a par with other foreign citizens in both regions (Tomaru, 2000).

The Conference concluded that the Japanese business, involving the management or high executive positions, technicians, and specialists, may be admitted as permanent residents with their entry requirements will be assessed on merit and personal records, authorization to open a business in any province not qualify for the Japanese businessmen to open a business or open a branch of the same business in other areas without permission from prior region, the Japanese government should agree to provide the same services to the citizens of the Federation of Malaya and Singapore, who wish to set up business in Japan and exchange of information on all applications for Japanese citizens admission between the Federation of Malaya and Singapore governments to be done. It will be managed by the Ministry of Labor and Welfare in Singapore and the Ministry of Internal Affairs of the Federation of Malaya (Tomaru, 2000).

In November 1955, a group of businessmen in the Federation of Malaya welcomed the government’s plans for the establishment of Japanese business in this country. The government decided to loosen the restrictions on Japanese citizens and firms entry, if they would bring economic benefits to the country. To avoid Japanese monopoly of the local market, the business class of the Federation of Malaya proposed to the government that Japan business operations carried out in partnership with local people to bring benefits to both parties (Lukacs, 2013).

As the site is operating in the Federation of Malaya, local capital should hold major interests in shares of the company. Local business groups also welcomed Japan technician’s services that are highly skilled to work in industrial projects and mining, if there is no local expertise. At the moment, the Japanese business groups can only visit the Federation of Malaya with a temporary visa and if this situation permanent, there is little initiative to engage them in any company (Boland, 1955:10).

In anticipation of the Federation of Malaya’s independence will be achieved one year, in 1956, the Colonial Secretary is planning to maintain the foreign policy and the defence of the Federation of Malaya in British hands. British know that the Federation of Malaya income depend on the price fluctuations of tin and rubber in the world market is not sufficient to continue the commitment of its own administration, even with the waiver of the Emergency cost (Stubbs, 2004; and Lukacs, 2013). To maintain its influence in the Federation of Malaya, British had to help its economic development, but it also was having financial problems (Tomaru, 2000:44-45). This situation prompted the Federation of Malaya government to look at Japan as an alternative to the development of the country after it gained independence.

The Federation of Malaya efforts towards independence would not result in a significant withdrawal of British capital from the country. Even with the uncertainty of the Federation of Malaya’s future, there is no reason why British capital must be issued. British investment is still running as usual with a large number of British government capital has been invested. British business companies in the Federation of Malaya also seem to achieve their prosperity (Campbell, 1956:8).

In March 1956, the Head of Overseas Division of Ishihara Sangyo Kaisha Overseas Ltd., Nakamura, stated that Japanese businessmen interested in starting companies in the Federation of Malaya. He hoped that the local authorities will relax the entry barriers so Japanese businesses can be established. Japan has a wide range of technologies that can be used to develop the natural resources of the Federation of Malaya.13

By June 1956, the Federation of Malaya government is ready to review the admissions policy of Japanese citizens according to the economic interests of the country, but permit granted is temporary.14 Both the governments of the Federation of Malaya and Singapore have agreed in principle to allow the restart

of Japanese businessmen in both countries for commercial purposes. Admission applications will be assessed on individual merit, whether they would bring economic benefit to the country or not. This agenda will be discussed in the council meeting of Ministers of the two countries in Kuala Lumpur, on 13 and 14 July 1956.

By September 1956, the immigrant authorities in the Federation of Malaya give serious consideration to the proposal to relax the entry of the Japanese citizens. At this time, the entry visa to Japanese businessmen in the Federation of Malaya are given freely, but the main requirement is the applicant must convince the authorities that they have no criminal record and not in the country during the Japanese occupation. In addition to Japanese citizens in the Federation of Malaya was granted a permit by the travel period, some Japanese mining experts who are in the Federation of Malaya was granted semi-permanent permit (Buckley, 1982).

A proposal from the Consul General of Japan, Ken Ninomiya, that Japanese technicians can help lay the Federation of Malaya in South East Asia industry map have drawn the attention from the local trading network. Minister of Trade and Industry, Dr. Ismail Dato Abdul Rahman, also has no objection to the application by a British mining company to bring in Japanese technicians to commercialize iron ore mine in Kelantan.

The Federation of Malaya government, then, loosens barriers to entry of Japanese citizens in October 1956. Under the new policy, the Japanese admitted to enter freely for a short-term visit. Application for partial permanent residence is also considered. Japanese citizens residing in the Federation of Malaya, during or before the war, also allowed into the country if no threat in terms of security.

Japan is willing to help the Federation of Malaya in the field of industrial development. It just depends on the government to declare their needs. Japan agreed to provide engineers, agricultural experts, and other technical and professional staff. At present, there are several Japanese technicians who assist in the mining of iron ore.

The same assurance was given by the Consul General of Japan in Singapore, Seizo Hinata, on 13 November 1957. Japan also would not open the country’s door forcibly for their personnel, otherwise their admission will be by mutual agreement. With Japan became a member of the United Nations on 18 December 1956, under British support, some economic groups in Britain fear the entry of Japan into the UN (United Nations) would pave the way for Japan’s economic invasion in Southeast Asia. They see Japan forced the British out little by little from the Southeast Asian market (The Singapore Free Press, 4/1/1957:12).

The Federation of Malaya can learn from Japan in addressing the problems of industrial development. Japan may be able to provide equipment and technical assistance in other ways. In return, the Federation of Malaya can supply Japan with important raw materials, such as rubber, tin, and other required by Japan for it factories. Trade relations between both countries will be built again after a period of cloudy time, after the Second World War.
CONCLUSION

Federation of Malaya’s iron ore mining was considered important in the United States of America effort to connect Japan and Southeast Asia. It also is one of the hopes industry to develop the Federation of Malaya’s economy after the Second World War (1939-1945) and the Emergency (1948), with Japan is expected to play an important role as it will provide capital and technical skills that are not available to the industry. With Colonial Secretary recognized the lack of government funding and private capital to develop the mining industry in every region, foreign investment cannot be avoided, and security measures should be taken to prevent the control in the hands of foreign parties and ensure the participation by local government or private investors.

From the British side, the arguments to justify the inclusion of Japan and participation in the Federation of Malaya’s industry conducted by Esler Dening in Tokyo and by the Foreign Office. This was opposed by the Federation of Malaya government, the Board of Trade and the Treasury in London. Colonial Office abstained at first, but then act to influence all parties to allow the entry of Japan. The Federation of Malaya government was extremely vigilant in protecting local interests. The effort to resumed formal relations, business relations, and personal relations between people are done gradually.

The Federation of Malaya government to see the most important control is to the entry of Japanese citizens associated with investment. There are no controls imposed on Japanese investment. Japanese immigration and investment in the Federation of Malaya was a matter that should be reviewed from time to time, especially on the merits of specific development projects. Trade and immigration policies of the Federation of Malaya drafted on the basis of the Pan-Malayan through the Singapore government approval.

Japan did not show any significant interest to the question of the overall recover their economic interests to the level as before the war, there was only an effort to regain their position in the country’s iron ore mining. It may be because they know that the various controls will be imposed by the Federation of Malaya government.²⁴

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²⁴Statement: We, hereby, declare that this article is our own scholarly work; so, it is not a product of plagiarism due to all sources that are cited in this article, we show in the References. This article is also not submitted, reviewed, or published in other scholarly journals yet.
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