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Rubber Strategy for Post-War Malaya, 1945 – 48

MARTIN RUDNER

Rubber, derived from the latex of the tree Hevea brasiliensis, has from the First World War been the economic mainstay of the Malayan peninsula. Not only has rubber constituted Malaya's leading economic sector, but from 1914 down to the outbreak of war in Southeast Asia (with the two marginal exceptions of 1939 and 1941) Malaya was the world's largest single supplier of natural rubber. The revival of Malayan rubber was therefore of prime significance not only for the economic rehabilitation of Malaya but also for the global recovery of rubber consuming industries.

During the inter-war period rubber was the largest single US dollar-earning export of the sterling area. In fact, Malayan rubber shipments to the United States earned approximately as much dollar exchange as all domestic UK exports to America combined. Hence, in the world of hard currency shortage confronting post-war Britain, Malayan rubber stood out as the Empire's most promising gold-dollar earner.

Post-war US dollar earning prospects for Malayan rubber were threatened, however, by two exogenous factors, one resulting from pre-war regulatory schemes and the other from the war itself. Successive pre-war efforts to restrict the supply of natural rubber, by the Stevenson Scheme (1922–28) and by the International Rubber Regulation Scheme (1934–43) brought in their wake the virtual stagnation of Malayan rubber acreage. Meanwhile in the Dutch East Indies (Indonesia), rubber acreage and output expanded until it exceeded Malayan production in 1941, and now loomed as a major low-cost competitor for Malayan rubber exports to the USA. In the event, bitter strife between Indonesian nationalists and returning Dutch colonialists reduced this competitive threat during the early post-war period, although the longer term challenge remained.

A second, even more serious challenge to the gold-dollar earning power of Malayan rubber stemmed from emergence of wartime synthetic rubber industry in the United States. Japan's conquest of Southeast Asia, by cutting off essential supplies of rubber from Malaya and the NEI, spurred on American efforts at developing chemical compounds of rubber-like substance, and their large scale production in a new industrial complex, was one of the great economic-scientific achievements of the Second World War, one that bore heavily upon the post-war prospects of natural rubber. US and Canadian synthetic rubber capacity in 1945 was greater than the total world output of the natural product in its best pre-war year. After having invested some US $700 million of public monies in developing synthetic rubber, and being determined to prevent jeopardy to strategic rubber supplies, the American government resolved to maintain and even improve the synthetic industry. The


3 On pre-war rubber regulation, see Bauer, The Rubber Industry, especially Chapters 6-14; on the Stevenson Scheme, see J.W.F. Rowe, Special Memorandum No. 34, London and Cambridge Economic Service, 1931. For the effect of regulation on Malaya and competitive position generally and that of smallholders in particular, see P.T. Bauer, Report on a Visit to the Rubber Growing Smallholdings of Malaya, July-September 1946, HMSO, 1947, pp. 15–18 (Henceforth: Report) The NEI was not party to the Stevenson Scheme and administered the IRRS less thoroughly with regard to smallholders than Malaya did, thereby gaining long term competitive advantage.

4 Synthetic rubber is not, as commonly believed, a chemical production of natural latex; rather it is a distinct compound with certain latex-like qualities which is superior to natural rubber for certain purposes, inferior for others, and a close substitute for a range of uses where price determines choice. On synthetic v. natural rubber, see Bauer, The Rubber Industry, Chapter 5, and L.A. Mills, Malaya: A Political and Economic Appraisal, (1958), Chapter 8.

5 Vid. "National security demands that these synthetic rubber producing plants be maintained
marketing situation confronting post-war Malayan rubber would therefore be very different from that prevailing in the past, though the demands on rubber were that much greater.

1. Producers' Supplies

Wartime planners in London were aware that the first problem confronting rehabilitation of Malaya's rubber industry would be a shortage of essential equipment and supplies. There was, of course, no way to accurately assess war damage and scarcities in occupied Malaya, so preparations for liberation had to proceed on the difficult basis of known needs of uncertain magnitude. Overall responsibility for resuscitating the Malayan rubber industry rested with the Colonial Office working in close consultation with the Malayan Planning Unit and the British estates' Rubber Growers Association.6

In 1944 the RGA's Reconstruction (Malaya) Committee under leading planter Sir John Hay set out to formulate some "practical proposals" for rubber rehabilitation following the British return to Malaya. These proposals received "the full support" of the Colonial Office and were then forwarded to the War Cabinet for approval.7 On 21 July 1945 the proposed scheme was officially published in a circular establishing the Malayan Rubber Estate Owners Company (MREOC), which was to serve as the government's agent for providing all estates operating in Malaya with necessary supplies and equipment.8 The Colonial Office itself undertook to supply the smallholding sector of the Malayan rubber industry with the requisites of production.9

The actual objectives of the MREOC were shrouded in commercial intrigue. Officially the MREOC was intended to take steps in advance to facilitate the earliest possible resumption of estate production in liberated Malaya. Sir John Hay, convener of the RGA Committee that initiated the scheme and later chairman of the MREOC, elaborated on these "steps" as involving: (i) preparation of a supply of necessary equipment, (ii) ensuring their "fair and equitable" allocation among companies participating in the scheme, and (iii) making for "their economical use by the judicious concentration of productive operations".10 This definition of purpose was confirmed by the government and was set out in the Company's Constituent Circular addressed to all owners of rubber estates in Malaya.

The objective of the MREOC put forth by its chairman and reiterated in its Constituent Circular did not, however, coincide with those announced by RGA chairman E. B. Hake before the Association's general meeting that had ratified the scheme before presentation to government. Then its declared aims were

To meet the situation of scarcity by arranging for supplies and services and their fair allocation and distribution, through the instrument of a single Company ... of which all the estate owners are entitled to be members.

Significantly, no mention was made of a "judicious concentration" of rubber production. Quite the contrary, for Mr. Hake described the proposed scheme as "purely a rationing scheme" permitting "no interference whatever in the conduct by any owner of his business except in so far as this system of rationing demands it".11 Bidding for unanimous support from RGA members for the proposed MREOC, Chairman Hake

so that this Nation will have a source of supply at all times", Rubber: First Annual Report, Washington, US Department of Commerce, 1949.


7 President H. B. Egmond Hake's address, RGA General Meeting, 2 May 1945.

8 MREOC Circular, London: 21 July 1945. The Colonial Office was to have representation on the Company's Board of Directors.

9 MREOC Circular: "His Majesty's Government having accepted responsibility for taking care of the needs of smallholdings under 100 acres ..." See also Colonial Secretary's statement in the House of Commons, Hansard, 7 November 1945, Col. 1406.

10 Sir John Hay, address to United Sua Betong Rubber Estate Company general meeting, 26 June 1945.
stated conclusively that the scheme “covers the needs of all without the least discrimination and it guarantees fairness to the humblest unit”.11

It is doubtful whether the proposed “rationing” scheme would have received such widespread acclaim from the RGA membership had the intention to pursue a “judicious concentration” of post-war production been divulged. Nearly half the British estates operating in Malaya consisted of less than sixteen hundred planted acres12 and would probably have looked suspiciously at any scheme basing rehabilitation upon considerations of size. Since it was quite necessary at the time for the Council of the RGA, which consisted in the main of representatives of larger estates, to secure broad support for their proposal before going to the government for approval, it served them well to reassure members of the scheme’s “democratic principle”. Once officially approved, full details of the MREOC objectives could be made known since all estates would anyway be induced to adhere to the Company for want of essential supplies.13

The British government’s objectives with regard to the MREOC involved a curious mixture of concern for both efficiency and equity. On the one hand government confirmed the Company’s objectives in its Constituent Circular as being “to arrange for the supply of goods and services in anticipation of needs, for their fair and equitable distribution, for their economic use by a concentration of productive resources”.14 On the other hand the Secretary of State for the Colonies declared unequivocally that “the Company has been formed ... for the express object of ensuring a fair distribution among all companies and owners of over 100 acres (of rubber), of the equipment and services which will be in short supply”.15 Sensing, perhaps, that some estates might find the declared aims of the MREOC to be contrary to their own interests, the Colonial Secretary further announced that he reserved the right

To consider the cases of estate owners who may claim that, for financial or other reasons, it is impossible for them to join the Company or that it would seriously prejudice their interests to do so.16

Still, the MREOC scheme was not received with equanimity in all quarters in Britain. Much comment, not all of it favourably disposed, occurred even within the rubber estate industry, questions of intent were posed in Parliament,17 and some misgivings were expressed by the financial press.18

Chinese estate interests, operating nearly as many holdings as RGA member companies, were for their part forcefully against “any policy that may tend to develop any kind or form of semi-monopolistic capitalism concentrating the control of big business in the hands of very few groups belonging to the dominant class or race”.19 Conscious of their lack of influence in colonial government circles, Chinese rubber plantation owners sought to avoid “undesirable bureaucratic control” over post-liberation economic activities so that “such abuses as favouritism, racial and class discrimination and even corruption” would not interfere with their own entrepreneurial initiatives. Though not members of the RGA, Chinese and other proprietary estates were courted by Chairman Hake in his bid to secure general estate support for the supply scheme then before the government. Assurances were given that full partnership in the proposed scheme would be opened “to all owners of estates situated in Malaya, no matter what their race or nationality”.20 Even if persuaded by Mr. Hake’s promises, the Chinese

11 Chairman’s address, RGA general meeting, 2 May 1945.
12 Malaya: Rubber Statistical Handbook, 1941, Table 18.
13 In fact many estates joined the MREOC only because they believed membership in the quasi-official body to be compulsory; see E.G. Holt, Report on the Malayan Rubber Industry, Washington, D.C., Department of Commerce, (1949), p. 4.
14 MREOC Circular.
15 Hansard, 22 August 1945, Col. 6367.
16 Hansard, 24 August 1945, Col. 983.
17 cf. Mr. Creech Jones, Hansard, 16 May 1945.
18 Economist, 28.7.45, p. 130.
19 Tan Cheng Lock, “Comments on the ABM memorandum on the Reconstruction of Malaya”, British Malaya, (February 1945), p. 114; the author was then head of the Overseas Chinese Association, a representative body of Malayan Chinese in wartime exile in India.
20 RGA General Meeting, 2 May 1945.
estate owners would have looked with deep suspicion at the MREOC objectives later promulgated by its Chairman, Sir John Hay, concerning "judicious concentration" of post-war production, after official approval had been given for the scheme.

The MREOC was quite successful in enlisting membership from among British-owned estates, with some 377 companies representing 1,321,933 acres (out of 1,432,200 "European" estate acres eligible in 1946) joining the scheme. As for Chinese, Indian, Malay and British proprietary estates, membership in the Company apparently looked somewhat less than attractive to their interests. The MREOC admitted that "a considerable number of estate owners domiciled in the East are not yet able to comply with the conditions for membership", but "special provision" was made so as not to "prejudice" their position in the meantime. With their currency balances demonitized by the returning British and local banks closed under the Moratorium Proclamation, it was well nigh impossible for Malaya-domiciled estate owners to satisfy the financial conditions for membership in the MREOC, even if they wanted to. In the event, the MREOC did not appeal to proprietary estates and aroused their resentment.

Proprietary estates thereupon submitted a memorandum to the British government in October 1945, demanding treatment apart from the MREOC with regard to provision of industrial supplies. They charged the Company with serving more as a custodian of London rubber interests than as an agency for rehabilitating the estate sector as a whole. As they regarded the Company unsuitable for and, indeed, inimical to their interests, the proprietary estates asked that the British government fulfil its pledge to provide supplies for non-MREOC estates as well as for smallholdings. The MREOC accordingly became, despite its protestations and official intentions, almost exclusively a "European" estate company venture.

While the MREOC set about organizing supplies for the estate sector, the provision of production requirements to the smallholding sector was left to the Colonial Office. Planning for relief supplies had been initiated in late 1943 by the Malayan Planning Unit, and by winter 1944 two sets of estimates had been completed, neither of which concerned essential supplies and equipment for rubber smallholdings. Despite the Colonial Office undertaking, rubber smallholders' supplies were simply left to post-liberation ad hoc arrangements.

After compiling estimates of the rehabilitation needs of member estates the MREOC placed orders for supplies through the Colonial Office well before the end of the war. According to plan, the Company undertook to accept these supplies CIF Malaya and to distribute them among estates adhering to the scheme. To simplify distribution MREOC estates were divided into seven major groups each with its own manager for supplies. Yet in spite of extensive preparations and systematic planning, the actual provision of MREOC supplies encountered considerable delays. Shipments were slow in arriving, and distribution was far from efficient. Certain essential commodities, notably coagulant, had to be acquired on the "free" market. As distribution broke down, enterprising members of certain MREOC groups were able to secure competitive advantages over others. Whether intentionally or not, the quasi-official MREOC showered

21 MREOC figures, of British Malaya, October 1945, p. 205. Holt, Report on the Malayan Rubber Industry notes that some companies joined the MREOC on the belief that membership was compulsory.
22 MREOC statement published in British Malaya, October 1945, p. 205.
23 According to its constituent Circular (21 July 1945) "every applicant for election" to MREOC membership had to submit a formal application backed by an initiation fee of 1s. per planted acre of rubber, plus an "approved" bank's guarantee for a further sum of up to £1. per planted acre of rubber to be placed at the Company's disposal on demand. Though not difficult for British-based companies, it must have been quite beyond the financial capabilities of estates domiciled in Malaya to fulfil these conditions under the prevailing post-liberation circumstances.
26 Hansard, 7 November 1945, Col. 1406.
27 See Donnison, British Military Administration in the Far East, pp. 343-6, on the planning of relief supplies for post-war Malaya.
28 Donnison, British Military Administration in the Far East, pp. 243, 268.
29 The seven groups and their total acreages were:
- Guthries, Socfin and Dunlop: 272,660 acres
- Hadow, Thompson and Milne: 246,303 acres
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its benefits quite selectively in favour of the larger estates’ groups.³⁰

The Colonial Secretary’s assurances to estates unable or unwilling to join the MREOC notwithstanding, virtually no provision was made for supplying them with production requisites. As indicated, most proprietary estates declined to join the MREOC for financial as well as competitive reasons. Despite their plea for direct treatment by the Colonial Office, these non-MREOC estates were left to fend for themselves on the “free” market during this post-bellum period of acute scarcities. Smaller Chinese and Indian plantations were able to get back into production relatively quickly, but the larger Chinese and Malayan-domiciled “European” estates encountered considerable difficulties in acquiring adequate supplies. Their need to pay exorbitant “free market” prices of equipment and acids placed proprietary estates at a serious disadvantage as compared to MREOC members.

The supplies position of Malayan rubber smallholders was much worse, despite the express commitment of the Colonial Office. Some £1 million worth of essential supplies were ultimately ordered for them through London, but only negligible quantities actually arrived in Malaya until some time after the military period. Although the Minister of Supply promised ample supplies of coagulants for smallholders within a month of Malaya’s liberation, a “desperate” shortage of acid still prevailed one year later.³¹ In this context it should be noted that these supply difficulties affected smallholdings more than others, since they were the first to re-engage in tapping and their production comprised the greater portion of Malaya’s output. Following the liberation, the distribution of essential supplies to smallholdings was entrusted to the British Ministry of Supply Rubber Buying Unit, which had been dispatched to Malaya to purchase available rubber stocks on government account. However, the Buying Unit proved ill-prepared and rather disinclined to deal with the supply needs of smallholdings. Estimates were hastily and inadequately completed. A distributing network of private rubber dealers was set up without meaningful controls to ensure that supplies actually reached smallholders at authorized prices. Scarc supplies destined to smallholdings were often re-routed via the “free market” to MREOC and other estates; adulterated acid was sold to smallholders at high prices; tapping equipment rested in warehouses while producers made do without and fungicides were all but unavailable. As a result of mismanagement the Rubber Buying Unit failed to dispose of those supplies that actually did arrive from London, so that these were eventually handed over to the MREOC.

Public policy with regard to producers’ supplies served to direct resources towards British-owned estate companies to the detriment of proprietary estates and smallholdings. The relatives success of the MREOC in making available acids, tapping equipment and fungicides to their respective charges, as compared to the Colonial Office’s corresponding failure, effectively altered rubber’s comparative cost advantage in favour of Company estates. For smallholders the shortages of essential supplies also meant a reduction in their real incomes as compared to their pre-war levels.³² Moreover rubber estates received an indirect subsidy from the government through the distribution of relief supplies, especially cheap rice and clothing for estate labour, which lowered their real labour costs of production.³³ Medium-size holdings and small estates, those that employed outside labour, did not benefit from such largesses and their money wages had to keep pace with the price of rice and textiles on the “free” market. The British

Harrisons, Crosfield, and US Rubber 245,806 acres
Morrison Rutherford 187,864 acres
Rubber Estates Agency Group 155,409 acres
Oriental, Bonstead, and Ethelberger Syndicate 144,256 acres
Jenkins Estall, Addinsel and Palmer 112,860 acres

³⁰ As a result of the distribution of essential supplies, by April 1946 the Harrison-Crosfield group was tapping 53% of its acreage while the MREOC average overall was 27%. By May the gulf had increased to 65% and 32%; see Holt, Report on the Malayan Rubber Industry, pp. 18–19.

³¹ On smallholders’ supply position and a detailed critique of the Rubber Buying Unit’s distribution practices see Bauer, Report, pp. 52–6.

³² Colonial Secretary, Hansard, 9 July 1947, Col. 2201.
³³ See Governor’s statement, Malayan Union Advisory Council Proceedings, 29 June 1946, p. 1336.
company estates incurred comparative advantages in the post-liberation period, due primarily to the favourable treatment received at the hands of the Colonial authorities, in contrast to that meted out to proprietary estates and smallholdings.

2. Price and Marketing
During World War Two available supplies of natural rubber were allocated among the Allied Powers by the Rubber Committee of the Combined Raw Materials Board sitting in Washington. Under the procedure then in force, the British Ministry of Supply purchased natural rubber from the various Colonial producers on Government Account, with deliveries then being made to the USA on reciprocal-aid terms. Prices paid for this rubber varied according to producing territory and were generally fixed on a cost-plus basis: at war's end 1s. 2d. a pound was being paid for Nigerian rubber and 1s. 6d. for Ceylonese rubber, FOB, these high prices being warranted by the higher cost of production in these territories and the need to secure maximum output for the war effort.34

In their approach to the problem of post-war rubber pricing British policymakers were strongly conditioned by differential perceptions of the Malayan industry. According to the conventional wisdom, the British-owned estates constituted the mainstay of Malayan rubber. Indeed the main problem of policy was seen as how to obtain the assumed "economic benefits" of the plantation system without its admitted "social ills". This presumption prevailed even among senior Malayan Civil Services officers. Sir Frank Swettenham, doyen of the pre-war MCS, saw rubber growing as an exclusively "British industry ... financed with British capital", wholly ignoring the considerable portion of both acreage and output belonging to Malayan medium and smallholdings.36 There was, indeed, no inclination among British officialdom to admit that smallholdings in fact comprised the more efficient sector of the Malayan rubber industry, but were restrained only by restrictive and discriminatory pre-war policies.37

During the course of the war and Japanese occupation of Malaya, only the British estates' Rubber Growers Association was free to articulate the industry's interests, as they saw them. Their prime objective was to avoid the recurrence of the cyclical price fluctuations of inter-war years. As in the past, they saw the solution in the form of international rubber output regulation, and the RGA demanded a role in deliberations on what they saw as the inevitable and vitally necessary post-war restriction scheme.38 H.B. Egmond Hake, leading planter and RGA Chairman (1944–45) expressed the British rubber estates' case simply and cogently: "What this industry ... wants is not high prices but steady prices."39

Expectations among rubber estate interests had been happily aroused by visions of high, scarcity-induced profits in natural rubber in the aftermath of war. Prices of rubber equites on the London Stock Exchange reflected this growing optimism as victory appeared on the horizon:

<table>
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<tr>
<th>Investors Chronicle Rubber Share Price Index</th>
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<tbody>
<tr>
<td>December 1938: 100</td>
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<tr>
<td>February 1942: 33.6</td>
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</tbody>
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34 Compare these prices to the average inter-war London rubber price of about 9d. per pound. Even higher wartime prices were paid by the USA for Brazilian and native American natural latex after the fall of Malaya and the NEI.
35 Colonial Secretary George Hall, Hansard, 25 July 1946, Col. 242, and statement by wartime Colonial Secretary O. Stanley, Hansard, 9 July 1946, Col. 270–1.
37 See P.T. Bauer, Report, pp. 300–14, on the comparative efficiency of the smallholding sector.
38 H.F. Copeman, Chairman, address to RGA general meeting, 27 April 1944, and H.B. Egmond Hake, The New Malaya and You, (1945), p. 76. Rubber regulation was now envisaged "in accordance with a forecast of world demands, under the auspices of all the governments concerned, and in close collaboration with consumer interests."
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Even though there was great uncertainty as to the actual state of rubber estates under the Japanese occupation, this hardly dampened investors’ enthusiasm for natural rubber’s post-war prospects. Anticipated heavy demand for their product, coupled to the estate industry’s legacy of overcoming adversity through joint action with official support served perhaps to nourish this optimism.

Remarkably few competitive fears were expressed by British planters on the subject of the dramatic wartime growth of America’s synthetic rubber industry. Some with experience in Malaya, like Mr. Hake, recognized the broad scope for technical advance and organizational improvements in estate rubber production, and so welcomed competition as a stimulant for innovation. Others held that synthetic rubber was but an emergency substitute for the natural product and were confident that the latter could hold its own against the wartime ersatz material. And looking ahead, with perhaps one eye back to the pre-war years of world-wide rubber regulation, there was always the hope that natural and synthetic rubber “will learn to live together rather than engaging in cut-throat competition”.

The British government had, however, made up its own mind about post-war rubber marketing and prices. Immediately upon Malaya’s liberation a Ministry of Supply Rubber Buying Unit (officially: “Rubber and Produce Buying Unit”) was dispatched to the country and given a monopoly over rubber purchases for export on British government account. The Rubber Buying Unit’s price for RSS1 was fixed at 36 cents (= 10d.) a pound ex-estate, with the Unit itself covering all transport and handling costs. Rubber thus purchased was then to be sold to the United States at a price of 50 cents a pound, FOB, Malaya. Under these arrangements the United Kingdom, through the agency of the Rubber Buying Unit, in effect undertook the bulk buying of Malayan natural rubber for the American market.

Announcement of the Rubber Buying Unit’s fixed price of 10d. a pound aroused a pandemonium of protest from the British estate industry. Despite their declared preference for steady over high prices, the Rubber Buying Unit prices were generally seen as being too low and, perhaps, too steady. Leading planter Sir John Hay angrily complained that this buying price “was not settled in agreement with or after consultation with the rubber industry” as the RGA had demanded, but was “determined by powers arbitrarily exercised”. What the British estates operating in Malaya wanted was a buying price at least equal to that for Ceylonese rubber, that is 1s. 6d. per pound. To justify this claim the estates argued that the very high costs of rubber industry rehabilitation should be passed on to rubber consumers (e.g. the United States) in the form of higher prices. In a cunning manoeuvre, “blame” for rubber’s plight was placed on the British, and compensation sought from the Americans:

The failure of the government to preserve Malaya from enemy occupation has left estate owners with years of costly work in repairing damage. How is that to be paid for? It might have helped if the price of Malayan rubber had approximated that of Ceylon.

A second estate argument maintained that the “artificially depressed” official buying price would deprive the sterling area of gold-dollar earnings and at the same time

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40 Sir Eric MacFadyen, address to Golden Hope Rubber Estate Ltd. general meeting, 30 July 1946.
41 Sir Eric MacFadyen, address to Lanadoron Rubber Estates Co. Ltd. general meeting, 13 June 1944. Sir Eric was a leading figure in the estate industry and in the pre-war rubber regulation scheme: see Bauer, The Rubber Industry, p. 330. Sir Eric was not alone, however, in his vision for post-war rubber marketing: see J. Gottman, Raw Materials in the Western Pacific, French Paper No. 1, 9th IPR Conference, January 1945 (mimeo), p. 7.
42 Although reciprocal aid ceased with Japan’s surrender, the wartime system of raw materials allocation was to be maintained until 31 March 1946.
43 H. J. Welch, Chairman, address to London Asiatic and Produce Co. Ltd. annual general meeting, 6 May 1946.
44 Chairman’s address to Kamuning (Perak) Rubber and Tin Co. Ltd. annual general meeting, 27 November 1945.
45 Chairman’s address to Kamuning (Perak) Rubber & Tin Co. Ltd. annual general meeting, 27 November 1945, and Sir Francis Voules, Chairman’s address to Kuala Muda Rubber Estates Ltd., general meeting, 21 December 1945.
46 T. B. Barlow, President’s address to RGA general meeting, 25 April 1946.
reduce Malaya's national income, impeding reconstruction and inhibiting economic development. Referring to possible political effects of British rubber buying policy, Sir John Hay hinted darkly against the "imprudence of following a course of action which is bound to produce a too-well founded sense of injustice in a country which has already suffered so much through war, and which in present circumstances is rendered particularly vulnerable to influences ready to exploit any sense of grievance."

Not all sectors of the British economy supported the estates' position, however. The influential *Economist* warned against "the temptation of making hay while the sun shines" which, it was claimed, "would mean a short period of good profits for producers of natural rubber at the risk of being left high and dry thereafter". There was acute awareness of the need to compete with synthetic, which demanded a sustained effort at reducing estate costs. Nor was the *Economist* sympathetic to the demand that rehabilitation costs be shifted forward through higher prices, arguing that rehabilitation was "not properly a charge which should fall heavily on (rubber) consumers alone in post-war years".

Estate demands for a 1s. 6d. rubber buying price were categorically rejected by the British government on the grounds that the high Ceylonese and Nigerian prices were set "during the war with the object of encouraging maximum production" from high-cost plantations and bore no relation to the situation in Malaya.

The Malayan rubber buying price, Whitehall explained, was fixed "by the United Kingdom Government with the advice of expert representatives on the spot". This official explanation far from satisfied critics, and Major Sir Basil Nevel Spence, MP, himself having substantial interests in the rubber estate industry, retorted bitterly:

> Neither the companies, the industrial owners of the estates, nor the Asiatic smallholders were consulted from first to last. I would like to know who these experts were and what they represent.

No further information was forthcoming from the British government, but the Rubber Adviser to the US Department of Commerce and Rubber Development Corporation did provide some insight into the matter in his Report. From this it is evident that the 10d./lb. rubber buying price was actually recommended by the Rubber Buying Unit, the government's "experts"; nor was this expertise "on the spot", for the rubber price was in fact suggested by the Unit prior to its arrival in Malaya. As for whom these "experts" represented, it was plainly the United Kingdom Government through its Ministry of Supply. The Malayan Planning Unit, the agency officially charged with setting Malaya's reconstruction programme in motion, played no role in the making of crucial rubber marketing policy.

The rationale for the 10d./lb. buying price lay in the British government attitude and policy towards post-war rubber. That this price was wholly unrelated to prevailing production costs was later admitted in a candid remark by the Under-Secretary of State for the Colonies. Any estimate of rubber production costs was "difficult" and "tentative" owing to the dislocation following upon Malaya's liberation. The official buying price was therefore fixed "experimentally", it was claimed, after "taking into account the current cost of (rubber) production ..."